



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

CPAs / ADVISORS



SECOND HELPINGS, INC.

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JUNE 30, 2023 AND 2022

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Second Helpings, Inc.
Indianapolis, Indiana

Opinion

We have audited the accompanying financial statements of Second Helpings, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements as of June 30, 2022, were audited by Alerding CPA Group, who merged with Blue & Co., LLC, as of December 1, 2022, and whose report dated September 13, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORT OF INDEPENDENT AUDITORS - CONTINUED

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blue & Co., LLC

Carmel, Indiana
October 11, 2023

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,666,857	\$ 3,326,484
Accounts receivable	5,040	5,060
Grants receivable	396,142	350,346
Inventories	178,260	159,644
Prepaid expenses and other assets	55,238	30,590
Total current assets	4,301,537	3,872,124
Property and equipment, net	2,817,320	2,404,495
Accounts receivable	20,000	40,000
Grants receivable	160,000	-0-
Beneficial interest in assets held by others	10,249,962	10,226,668
	<u>\$ 17,548,819</u>	<u>\$ 16,543,287</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 75,060	\$ 64,063
Accrued expenses and other liabilities	56,523	50,113
Deferred revenue	50,500	30,000
Total current liabilities	182,083	144,176
Deferred revenue	20,000	40,000
Total liabilities	202,083	184,176
Net assets		
Without donor restrictions:		
Undesignated	6,596,012	5,682,184
Board designated	508,834	499,802
	7,104,846	6,181,986
With donor restrictions	10,241,890	10,177,125
Total net assets	17,346,736	16,359,111
	<u>\$ 17,548,819</u>	<u>\$ 16,543,287</u>

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Gifts-in-kind rescued food	\$ 7,071,871	\$ -0-	\$ 7,071,871	\$ 6,907,704
Contributions and grants	2,640,187	535,000	3,175,187	2,807,660
Grants from government agencies - contributions	501,215	-0-	501,215	411,238
Special events	632,558	-0-	632,558	481,593
Gifts-in-kind special events	188,512	-0-	188,512	218,545
Gifts-in-kind operations	28,281	-0-	28,281	174,221
Fee income	5,410	-0-	5,410	4,365
Interest income	101,766	-0-	101,766	681
Other income	12,755	-0-	12,755	26,130
Net assets released from donor restrictions	<u>823,540</u>	<u>(823,540)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenue	12,006,095	(288,540)	11,717,555	11,032,137
Expenses				
Program services:				
Food Rescue	527,976	-0-	527,976	508,543
Hunger Relief	8,566,993	-0-	8,566,993	8,794,246
Job Training	<u>632,653</u>	<u>-0-</u>	<u>632,653</u>	<u>644,198</u>
Total program services	9,727,622	-0-	9,727,622	9,946,987
Supporting services:				
Management and general	508,134	-0-	508,134	451,318
Fundraising	<u>865,685</u>	<u>-0-</u>	<u>865,685</u>	<u>894,236</u>
Total expenses	<u>11,101,441</u>	<u>-0-</u>	<u>11,101,441</u>	<u>11,292,541</u>
Change in net assets from operations	904,654	(288,540)	616,114	(260,404)
Change in value of beneficial interest in assets held by others	<u>18,206</u>	<u>353,305</u>	<u>371,511</u>	<u>(86,348)</u>
Change in net assets	922,860	64,765	987,625	(346,752)
Net assets, beginning of year	<u>6,181,986</u>	<u>10,177,125</u>	<u>16,359,111</u>	<u>16,705,863</u>
Net assets, end of year	<u>\$ 7,104,846</u>	<u>\$ 10,241,890</u>	<u>\$ 17,346,736</u>	<u>\$ 16,359,111</u>

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Gifts-in-kind rescued food	\$ 6,907,704	\$ -0-	\$ 6,907,704
Contributions and grants	2,362,660	445,000	2,807,660
Grants from government agencies - contributions	411,238	-0-	411,238
Special events	481,593	-0-	481,593
Gifts-in-kind special events	218,545	-0-	218,545
Gifts-in-kind operations	174,221	-0-	174,221
Fee income	4,365	-0-	4,365
Interest income	681	-0-	681
Other income	26,130	-0-	26,130
Net assets released from donor restrictions	961,490	(961,490)	-0-
Total support and revenue	11,548,627	(516,490)	11,032,137
Expenses			
Program services:			
Food Rescue	508,543	-0-	508,543
Hunger Relief	8,794,246	-0-	8,794,246
Job Training	644,198	-0-	644,198
Total program services	9,946,987	-0-	9,946,987
Supporting services:			
Management and general	451,318	-0-	451,318
Fundraising	894,236	-0-	894,236
Total expenses	11,292,541	-0-	11,292,541
Change in net assets from operations	256,086	(516,490)	(260,404)
Change in value of beneficial interest in assets held by others	(6,772)	(79,576)	(86,348)
Change in net assets	249,314	(596,066)	(346,752)
Net assets, beginning of year	5,932,672	10,773,191	16,705,863
Net assets, end of year	\$ 6,181,986	\$ 10,177,125	\$ 16,359,111

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2023 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022)

	2023							2022 Total Expenses
	Program Services				Management and General	Fundraising	Total Expenses	
	Food Rescue	Hunger Relief	Job Training	Total				
Labor and Benefits:								
Salaries	\$ 287,606	\$ 596,917	\$ 287,606	\$ 1,172,129	\$ 289,414	\$ 347,297	\$ 1,808,840	\$ 1,704,112
Employee benefits	41,388	85,176	32,981	159,545	34,927	35,241	229,713	222,666
Payroll taxes and expense	21,668	44,972	21,668	88,308	21,805	26,275	136,388	129,049
Total labor and benefits	350,662	727,065	342,255	1,419,982	346,146	408,813	2,174,941	2,055,827
Other Expenses:								
Food donations to agencies	-0-	6,265,061	31,467	6,296,528	-0-	-0-	6,296,528	6,216,944
Vendor meals	-0-	-0-	-0-	-0-	-0-	-0-	-0-	260,994
Food spoilage and tare	-0-	738,887	17,839	756,726	-0-	-0-	756,726	740,115
Special events	-0-	-0-	-0-	-0-	-0-	319,218	319,218	358,686
Depreciation	42,942	111,043	24,565	178,550	5,366	7,265	191,181	203,330
Utilities	22,501	61,103	21,510	105,114	5,384	7,233	117,731	116,796
Program supplies	5,900	89,799	60,891	156,590	1,087	1,091	158,768	154,946
Contract labor	-0-	374,777	-0-	374,777	-0-	-0-	374,777	501,427
Repair and maintenance	16,050	67,614	23,342	107,006	3,588	4,215	114,809	111,748
Professional fees	3,224	6,608	31,069	40,901	71,152	8,454	120,507	104,691
Insurance	14,599	31,522	7,327	53,448	8,783	4,783	67,014	66,123
Vehicle expenses	47,808	22,144	-0-	69,952	500	-0-	70,452	66,517
Dues and subscriptions	166	101	1,978	2,245	11,508	738	14,491	14,857
Awards and recognition	745	2,488	490	3,723	5,881	544	10,148	25,977
Printing	3,774	8,993	4,040	16,807	3,566	17,857	38,230	37,636
Telephone	4,120	7,640	2,627	14,387	2,572	2,644	19,603	18,803
Trainee assistance and awards	-0-	-0-	18,416	18,416	-0-	-0-	18,416	21,945
Public relations	640	1,462	16,980	19,082	1,396	8,630	29,108	19,738
Travel and entertainment	707	4,297	2,046	7,050	21,247	2,774	31,071	12,600
Security	3,597	9,844	3,483	16,924	1,352	1,155	19,431	21,665
Bank and finance charges	-0-	-0-	-0-	-0-	2,976	22,387	25,363	28,202
Postage	313	642	277	1,232	195	7,090	8,517	6,747
Office supplies	483	1,113	835	2,431	1,315	556	4,302	5,337
Kitchen equipment	112	9,727	97	9,936	451	97	10,484	15,609
Computer and repairs	7,437	19,321	18,988	45,746	13,017	39,338	98,101	93,360
Miscellaneous	2,196	5,742	2,131	10,069	652	803	11,524	11,921
Total expenses	\$ 527,976	\$ 8,566,993	\$ 632,653	\$ 9,727,622	\$ 508,134	\$ 865,685	\$ 11,101,441	\$ 11,292,541

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

	Program Services				Management and General	Fundraising	Total Expenses
	Food Rescue	Hunger Relief	Job Training	Total			
Labor and benefits							
Salaries	\$ 260,192	\$ 528,065	\$ 316,639	\$ 1,104,896	\$ 256,207	\$ 343,009	\$ 1,704,112
Employee benefits	34,321	73,196	34,070	141,587	42,973	38,106	222,666
Payroll taxes and expense	19,672	40,230	23,882	83,784	19,377	25,888	129,049
Total labor and benefits	314,185	641,491	374,591	1,330,267	318,557	407,003	2,055,827
Other expenses							
Food donations to agencies	-0-	6,190,302	26,642	6,216,944	-0-	-0-	6,216,944
Vendor meals	-0-	260,994	-0-	260,994	-0-	-0-	260,994
Food spoilage and tare	-0-	723,424	16,691	740,115	-0-	-0-	740,115
Special events	-0-	-0-	-0-	-0-	-0-	358,686	358,686
Depreciation	49,620	117,989	24,156	191,765	4,883	6,682	203,330
Utilities	21,374	60,500	23,476	105,350	4,789	6,657	116,796
Program supplies	6,739	99,948	45,992	152,679	1,197	1,070	154,946
Contract labor	-0-	501,427	-0-	501,427	-0-	-0-	501,427
Repair and maintenance	17,120	69,059	18,802	104,981	2,938	3,829	111,748
Professional fees	2,720	5,394	40,016	48,130	46,399	10,162	104,691
Insurance	14,157	30,748	7,023	51,928	9,653	4,542	66,123
Vehicle expenses	50,472	16,045	-0-	66,517	-0-	-0-	66,517
Dues and subscriptions	188	158	2,673	3,019	9,409	2,429	14,857
Awards and recognition	3,389	7,324	1,722	12,435	11,595	1,947	25,977
Printing	4,285	7,516	4,420	16,221	3,813	17,602	37,636
Telephone	4,444	7,425	2,388	14,257	2,126	2,420	18,803
Trainee assistance and awards	-0-	-0-	21,945	21,945	-0-	-0-	21,945
Public relations	1,083	4,454	7,459	12,996	944	5,798	19,738
Travel and entertainment	155	1,112	2,140	3,407	7,571	1,622	12,600
Security	4,106	11,047	4,287	19,440	1,009	1,216	21,665
Bank and finance charges	-0-	-0-	-0-	-0-	2,929	25,273	28,202
Postage	345	666	257	1,268	197	5,282	6,747
Office supplies	712	2,046	655	3,413	1,224	700	5,337
Kitchen equipment	3,447	7,700	269	11,416	4,063	130	15,609
Computer and repairs	7,803	21,548	16,195	45,546	17,418	30,396	93,360
Miscellaneous	2,199	5,929	2,399	10,527	604	790	11,921
Total expenses	<u>\$ 508,543</u>	<u>\$ 8,794,246</u>	<u>\$ 644,198</u>	<u>\$ 9,946,987</u>	<u>\$ 451,318</u>	<u>\$ 894,236</u>	<u>\$ 11,292,541</u>

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating activities		
Change in net assets	\$ 987,625	\$ (346,752)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	191,181	203,330
Change in value of beneficial interest in assets held by others	(371,511)	86,348
(Gain) loss on disposal of property and equipment	528	(20,785)
Changes in operating assets and liabilities:		
Accounts receivable	20,020	52,440
Grants receivable	(205,796)	114,118
Inventories	(18,616)	49,355
Prepaid expenses and other assets	(24,648)	3,469
Accounts payable	10,997	(65,097)
Accrued expenses and other liabilities	6,410	(13,767)
Deferred revenue	500	35,000
Net cash flows from operating activities	596,690	97,659
Investing activities		
Proceeds from sale of property and equipment	-0-	34,912
Purchase of property and equipment	(604,534)	(144,793)
Distributions from Central Indiana Community Foundation (CICF)	353,796	642,243
Transfer of funds to CICF	(5,579)	(80,100)
Net cash flows from investing activities	(256,317)	452,262
Net change in cash and cash equivalents	340,373	549,921
Cash and cash equivalents, beginning of year	<u>3,326,484</u>	<u>2,776,563</u>
Cash and cash equivalents, end of year	<u>\$ 3,666,857</u>	<u>\$ 3,326,484</u>

See accompanying notes to financial statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. NATURE OF ACTIVITIES

Second Helpings, Inc. (the Organization) is a not-for-profit organization that began its program services in April 1998 to rescue and distribute prepared and perishable food to those in need through established hunger relief programs, and in the process, educates and trains adults for positions in the culinary field.

The total pounds of food rescued by the Organization were 3,432,947 and 3,683,263 for the years ended June 30, 2023 and 2022, respectively. The Organization distributed 1,139,577 and 1,074,999 meals for the years ended June 30, 2023 and 2022, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Net assets, support, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The governing board has designated, from net assets without donor restrictions, net asset funds to protect the Organization's long-term viability due to volatility in funding resources.

Net assets with donor restrictions – Net assets with donor restrictions are net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specific term with investment return available for operations or specific purpose.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statement of activities by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expense during the reporting period. Actual results could differ from those estimates.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value, and primarily consists of bank savings and money market savings accounts.

Accounts and Grants Receivable

Accounts receivable (contract receivables) represent receivables for event sponsorships. Balances for accounts receivable as of July 1, 2021 were \$97,500.

Grants receivable consist of amounts unconditionally promised to the Organization by donors and amounts due to the Organization under costs reimbursement grants determined to be conditional contributions where conditions have been met.

Management estimates an allowance for doubtful receivables based on an evaluation of historical losses, current economic conditions, and other factors unique to its funding sources. Management believes that accounts and grants receivable are fully collectible at June 30, 2023 and 2022.

Inventories

Inventories consists of donated food and supply items. Donated food and supply items received by the Organization are valued as discussed in Note 11.

Property and Equipment

The Organization capitalizes all significant purchases of property and equipment at cost, including expenditures that substantially increase the useful lives or existing assets. Costs of ordinary maintenance and repairs are expensed as incurred.

Gifts of property and equipment are recorded as support at their estimated fair value. Such gifts are reports as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose or stipulated how long those long-lived assets must be used. Absent donor restrictions on use and how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

The Organization depreciates property and equipment using the straight-line method of depreciation over the estimated useful lives of the related assets. The ranges useful lives used by the Organization are as follows:

<u>Description</u>	<u>Useful Lives</u>
Buildings and improvements	5 - 40 years
Furniture and equipment	5 - 15 years

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Beneficial Interest in Assets Held by Others

The beneficial interest in assets held by others in the statement of financial position represents the Organization's interest in one donor-restricted endowment fund and one board designated endowment fund held at Central Indiana Community Foundation (CICF) (Note 5). This asset is increased with additional deposits by the Organization to the donor-restricted endowment or board designated endowment fund, and is decreased by distributions from the donor-restricted endowment or board designated endowment fund to the Organization. The change in value of beneficial interest in assets held by others in the statement of activities includes realized and unrealized gains and losses, dividends and interest, and administration and investments fees allocated to each fund by CICF.

Support and Revenue Recognition

The Organization recognizes contributions, including government grants, when cash, securities, or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Consequently, at June 30, 2023, contributions approximating \$225,630 have not been recognized in the accompanying statement of activities because the conditions on which they depend have not yet been met. The Organization expects to recognize these contributions in future periods to the extent conditions have been met.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires entirely in the reporting period in which the contribution is recognized. All other support with donor restrictions and support without donor restrictions where payment or benefit is expected in a future period is reported as an increase in net assets with donor restrictions.

Government grants are generally received under multi-year contracts and are available to be spent over the term of the grant. Therefore, funds not spent in one year are available to be carried forward into the subsequent period until the grant term expires.

Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Sponsorship revenue for events are deferred and included in deferred revenue (contract liabilities) until the period in which the event is conducted, which is when the related performance obligation is fulfilled. Deferred revenue for events was \$35,000 as of July 1, 2021.

All other revenues are recorded when earned.

Functional Expenses

The cost of providing the programs and services of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based on the actual

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

direct expenditures and cost allocations of indirect expenses based on time and the usage by personnel and programs. Expenses allocated include labor and benefits, depreciation, utilities, program supplies, professional fees, repairs and maintenance, insurance, and other office overhead. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and similar state law. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax and a corresponding state return, which are informational returns only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

The Organization has filed its federal and state income tax returns for periods through June 30, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Reclassifications

Certain amounts in the fiscal 2022 financial statements have been reclassified herein to conform to the fiscal 2023 presentation. Total net assets and change in net assets were unchanged due to these reclassifications.

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 11, 2023, which is the date the financial statements were available to be issued.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

3. ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are as follows at June 30:

	2023	2022
Less than one year	\$ 401,182	\$ 355,406
One to five years	180,000	40,000
	<u>\$ 581,182</u>	<u>\$ 395,406</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2023	2022
Land	\$ 411,785	\$ 411,785
Buildings and improvements	2,834,572	2,629,167
Furniture and equipment	1,436,121	1,364,736
Construction in process	222,886	26,000
	<u>4,905,364</u>	<u>4,431,688</u>
Accumulated depreciation	<u>(2,088,044)</u>	<u>(2,027,193)</u>
	<u>\$ 2,817,320</u>	<u>\$ 2,404,495</u>

5. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has established a donor-restricted endowment and board designated endowment (Legacy fund) with Central Indiana Community Foundation (CICF) and is the beneficiary of the funds holding those assets. The purpose of such funds is to provide support to the Organization.

Annual earnings are allocated to each fund and a portion of the endowment fund balance is available for distribution during the succeeding year in accordance with the spending policy adopted by the CICF Board of Directors. At the time of execution of the agreements, the spending policy provided for 5% of the December 31 endowment fund balance as the portion available for distribution, in addition to any unspent distributable amounts from prior years.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The fair values of the donor-restricted endowment and Legacy funds, as reported by CICF, are as follows at June 30:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment fund	\$ 9,741,128	\$ 9,726,866
Legacy fund	<u>508,834</u>	<u>499,802</u>
	<u>\$ 10,249,962</u>	<u>\$ 10,226,668</u>

The portion of the endowment funds that were restricted by donors are reflected as part of net assets with donor restrictions in the statements of financial position. Unappropriated earnings or cumulative deficits of this endowment fund are classified as with donor restrictions or without donor restrictions, as applicable.

6. LINE OF CREDIT

The Organization has \$640,000 of available borrowings under a line of credit with a bank which is subject to renewal in March 2024. Borrowings under this facility bear interest at the Bloomberg Short-Term Bank Yield Index plus 2.85% (8.07% at June 30, 2023). Borrowings are secured by substantially all assets of the Organization. There were no borrowings under the line of credit at June 30, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

7. NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purpose or periods at June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Hunger Relief	\$ 375,000	\$ 225,000
Job Training	75,762	37,759
Capital Project	-0-	187,500
Subject to Passage of Time:		
For future periods	50,000	-0-
Endowment:		
General operations	<u>9,741,128</u>	<u>9,726,866</u>
	<u>\$ 10,241,890</u>	<u>\$ 10,177,125</u>

Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Subject to Expenditure for Specified Purpose:		
Hunger Relief	\$ 225,000	\$ 312,500
Job Training	21,997	20,000
Capital Project	187,500	12,500
Subject to Passage of Time:		
For future periods	50,000	-0-
Endowment:		
General operations	<u>339,043</u>	<u>616,490</u>
	<u>\$ 823,540</u>	<u>\$ 961,490</u>

8. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the assets or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The valuation methodology used for the beneficial interest in assets held by others includes valuing at the fair value as reported by CICF, which represents the Organization's pro rata interest in the pooled investments held by CICF, substantially all of which are valued on a mark-to-market basis. The beneficial interest in assets held by others is considered to be valued using Level 3 inputs in the fair value hierarchy.

The preceding method described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Organization's beneficial interest in assets held by others are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these assets and the level of uncertainty related to changes in their value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The change in beneficial interest in assets held by others measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 10,226,668	\$ 10,875,159
Deposits	5,579	80,100
Dividend and interest, net of investment management fees	52,757	67,463
Realized gains	320,355	431,134
Unrealized gains (losses)	41,587	(538,498)
Operating support fees	(43,188)	(46,447)
Distributions	<u>(353,796)</u>	<u>(642,243)</u>
Balance, end of year	<u>\$ 10,249,962</u>	<u>\$ 10,226,668</u>

9. ENDOWMENT

The Organization's endowment consists of two individual funds held by CICF (Note 5) established to provide support to the Organization. The Organization's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The Board of Directors of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies at June 30, 2023 and 2022.

Return Objectives and Risk Parameters

The Board of Directors of the Organization has adopted CICF's investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on the total return strategy of CICF, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends and interest).

Spending Policy and How the Investment Objective Relates to Spending Policy

The Organization's spending policy is based on a predetermined calculation to moderate the impact of market fluctuations on annual withdrawals within an acceptable spending range of 2% to 6%, with a target spending rate of 4%.

Whenever the endowment fund balance on a valuation date is equal to or less than the historic gift value, the maximum spending from the endowment fund for the next fiscal year shall be 2% of the endowment fund balance. This maximum spending limit shall continue until the endowment fund balance on a future valuation date exceeds the historic gift value.

Whenever the endowment fund balance on a valuation date is greater than the historic gift value, the Organization may spend any percentage or amount of the endowment fund balance, provided that such spending would not cause the endowment fund to fall below the historic gift value. At which time, the Organization would be limited to the greater of the excess of the endowment fund balance on the valuation date over the historic gift value or 2% of the endowment fund balance on the valuation date.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The composition of endowment net assets is as follows at June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 508,834	\$ -0-	\$ 508,834
Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity	-0-	6,877,140	6,877,140
Accumulated investment gains	-0-	2,863,988	2,863,988
	<u>\$ 508,834</u>	<u>\$ 9,741,128</u>	<u>\$ 10,249,962</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 499,802	\$ -0-	\$ 499,802
Donor restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity	-0-	6,877,140	6,877,140
Accumulated investment gains	-0-	2,849,726	2,849,726
	<u>\$ 499,802</u>	<u>\$ 9,726,866</u>	<u>\$ 10,226,668</u>

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The change in endowment net assets is as follows for the year ended June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 499,802	\$ 9,726,866	\$ 10,226,668
Contributions	5,579	-0-	5,579
Change in value of beneficial interest in assets held by others	18,206	353,305	371,511
Appropriation of endowment assets pursuant to spending rate policy	(14,753)	(339,043)	(353,796)
Endowment net assets, end of year	\$ 508,834	\$ 9,741,128	\$ 10,249,962
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 452,227	\$ 10,422,932	\$ 10,875,159
Contributions	80,100	-0-	80,100
Change in value of beneficial interest in assets held by others	(6,772)	(79,576)	(86,348)
Appropriation of endowment assets pursuant to spending rate policy	(25,753)	(616,490)	(642,243)
Endowment net assets, end of year	\$ 499,802	\$ 9,726,866	\$ 10,226,668

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

10. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date; that is, amounts that are without donor restrictions limiting their use at June 30:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 3,666,857	\$ 3,326,484
Accounts receivable	25,040	45,060
Grants receivable	556,142	350,346
Beneficial interest in assets held by others	<u>10,249,962</u>	<u>10,226,668</u>
Total financial assets	14,498,001	13,948,558
Long-term portion of accounts receivable	(20,000)	(40,000)
Donor-imposed restrictions		
Purpose and time restrictions	(500,762)	(450,259)
Endowment funds	(9,741,128)	(9,726,866)
Board designated net assets	<u>(508,834)</u>	<u>(499,802)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,727,277</u>	<u>\$ 3,231,631</u>

The Organization is primarily supported by contributions and grants. Donor restrictions require resources to be used in a particular manner or in a future period and the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due. In the event of an unanticipated liquidity need, the Organization has available borrowings of \$640,000 through a line of credit (Note 6).

Because endowments exist in perpetuity, the Organization may only spend from its endowment in accordance with its spending policy (Note 9).

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

11. CONTRIBUTED NONFINANCIAL ASSETS

Contributions of nonfinancial assets, also known as gifts-in-kind (GIK), recognized in the statements of activities include the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Utilized in programs:		
Rescued food	\$ 7,071,871	\$ 6,907,704
Supplies and services	<u>28,281</u>	<u>174,221</u>
	7,100,152	7,081,925
Special events supplies and services	<u>188,512</u>	<u>218,545</u>
	<u>\$ 7,288,664</u>	<u>\$ 7,300,470</u>

Rescued food utilized in the Organization's programs are valued on a per pound basis using benchmarks from national food distribution organizations. Supplies and services utilized in the Organization's programs and special events are valued at their estimated fair market value (what would be paid for such items if purchased). All GIK are unrestricted during fiscal 2023 and 2022.

Substantially all the Organization's GIK utilized in programs are allocated to Hunger Relief.

12. RETIREMENT PLAN

The Organization maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization who meet the age and hour requirements. Employees may make contributions up to the maximum amount allowed as determined by the Internal Revenue Code, which is subject to discretionary matching contributions made by the Organization. The Organization's discretionary matching contributions were \$35,469 and \$33,188 for the years ended June 30, 2023 and 2022, respectively.

13. CONCENTRATIONS

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents primarily in two banks which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Funding Concentrations

At June 30, 2023 and for the year then ended, 76% of grants receivable were from two grantors, with individual percentages of 11% and 65%, and 51% of grant revenues were from two donors, with individual percentages of 25% and 26%. Grant revenues represent 13% of total public support and revenues.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

At June 30, 2022 and for the year then ended, 94% of grants receivable were from three grantors, with individual percentages ranging from 13% to 64%, and 68% of grant revenues were from three donors, with individual percentages ranging from 19% to 28%. Grant revenues represent 10% of total public support and revenues.