

**SECOND HARVEST FOOD BANK
OF EAST CENTRAL INDIANA, INC.
MUNCIE, INDIANA**

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2021 AND 2020

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WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Second Harvest Food Bank of
East Central Indiana, Inc.
Muncie, Indiana

OPINION

We have audited the accompanying financial statements of Second Harvest Food Bank of East Central Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Second Harvest Food Bank of East Central Indiana, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audits 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 Second Harvest Food Bank of East Central Indiana, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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 Second Harvest Food Bank of East Central Indiana, Inc.'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 and *Government 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 and *Government 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 Second Harvest Food Bank of East Central Indiana, Inc.'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 Second Harvest Food Bank of East Central Indiana, Inc.'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.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of grant revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022 on our consideration of the Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants
Muncie, Indiana

September 19, 2022

FINANCIAL STATEMENTS

1.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,783,962	\$ 1,494,969
Accounts receivable, trade	27,523	108,596
Pledges receivable, current net of discount (Note 4)	202,260	411,739
Grants receivable	113,172	255,977
Inventory (Note 5)	1,643,487	2,515,491
Prepaid expense	16,165	11,958
Total Current Assets	\$ 3,786,569	\$ 4,798,730
 PROPERTY AND EQUIPMENT (Note 2)		
Land and building	\$ 2,914,998	\$ 2,750,953
Equipment and fixtures	757,847	679,141
Vehicles	778,300	730,218
Deposits on equipment	103,284	16,450
	\$ 4,554,429	\$ 4,176,762
Less accumulated depreciation	(1,889,521)	(1,614,891)
Total Property and Equipment	\$ 2,664,908	\$ 2,561,871
 OTHER ASSETS		
Cash reserved under donor imposed restrictions	\$ 87,008	\$ 117,379
Pledges receivable, long-term net of discount (Note 4)	108,848	188,798
Beneficial interest in endowments (Notes 6, 7 and 8)	189,944	148,173
Certificates of deposit	23,671	23,494
Gift cards	5,149	
Donated securities on hand	9,745	
Total Other Assets	\$ 424,365	\$ 477,844
Total Assets	\$ 6,875,842	\$ 7,838,445

See accompanying Notes to Financial Statements.

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 82,788	\$ 88,614
Accrued salaries, wages, and vacation	66,548	68,015
Payroll benefits payable	447	
Accrued interest payable		1,284
Current portion of long-term debt obligations (Note 9)		<u>138,377</u>
Total Current Liabilities	<u>\$ 149,783</u>	<u>\$ 296,290</u>
LONG-TERM DEBT (Note 9)		
Note payable - Payroll Protection Program		\$ 178,468
Less current portion of debt-obligations		<u>(138,377)</u>
Total Long-Term Debt		<u>\$ 40,091</u>
OTHER LIABILITIES		
Deposits	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total Liabilities	<u>\$ 150,783</u>	<u>\$ 337,381</u>
NET ASSETS (Note 10)		
Without donor restrictions		
Undesignated	\$ 5,797,722	\$ 6,278,170
Designated by board for capital improvements	<u>339,276</u>	<u>356,805</u>
	<u>\$ 6,136,998</u>	<u>\$ 6,634,975</u>
With donor restrictions		
Subject to purpose and time restrictions	\$ 499,426	\$ 780,454
Perpetual in nature	<u>88,635</u>	<u>85,635</u>
	<u>\$ 588,061</u>	<u>\$ 866,089</u>
Total Net Assets	<u>\$ 6,725,059</u>	<u>\$ 7,501,064</u>
Total Liabilities and Net Assets	<u>\$ 6,875,842</u>	<u>\$ 7,838,445</u>

3.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUE			
Direct Public Support			
Donated food	\$ 13,918,617		\$ 13,918,617
Contributions	1,376,557	\$ 391,068	1,767,625
Special events	4,500		4,500
Total Direct Public Support	<u>\$ 15,299,674</u>	<u>\$ 391,068</u>	<u>\$ 15,690,742</u>
Indirect Public Support			
Federal award programs (schedule)	\$ 424,873	\$ 20,000	\$ 444,873
Other grants (schedule)	854,725	17,480	872,205
Total Indirect Public Support	<u>\$ 1,279,598</u>	<u>\$ 37,480</u>	<u>\$ 1,317,078</u>
Total Public Support	<u>\$ 16,579,272</u>	<u>\$ 428,548</u>	<u>\$ 17,007,820</u>
Other Revenue			
Food and shared maintenance	\$ 423,677		\$ 423,677
Other program revenue	2,000		2,000
Net investment income (loss)	1,161	\$ (1,174)	(13)
Gain (loss) on investments	(13)	40,495	40,482
Gain on disposal of equipment	3,000		3,000
Forgiveness of debt - Paycheck Protection Program loan	178,468		178,468
Miscellaneous income	12,061		12,061
Rent income	113,083		113,083
Total Other Revenue	<u>\$ 733,437</u>	<u>\$ 39,321</u>	<u>\$ 772,758</u>
Total Public Support and Revenue	<u>\$ 17,312,709</u>	<u>\$ 467,869</u>	<u>\$ 17,780,578</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor and time restrictions	<u>\$ 745,897</u>	<u>\$ (745,897)</u>	
EXPENSES			
Programs	\$ 17,652,975		\$ 17,652,975
Management and general	461,706		461,706
Fundraising	441,902		441,902
Total Expenses	<u>\$ 18,556,583</u>		<u>\$ 18,556,583</u>
CHANGE IN NET ASSETS	\$ (497,977)	\$ (278,028)	\$ (776,005)
NET ASSETS, BEGINNING OF YEAR	<u>6,634,975</u>	<u>866,089</u>	<u>7,501,064</u>
NET ASSETS, END OF YEAR	<u>\$ 6,136,998</u>	<u>\$ 588,061</u>	<u>\$ 6,725,059</u>

See accompanying Notes to Financial Statements.

2020			
Without Donor Restrictions	With Donor Restrictions	Total	Change
\$ 22,513,749		\$ 22,513,749	\$ (8,595,132)
1,824,108	\$ 1,389,901	3,214,009	(1,446,384)
31,702		31,702	(27,202)
<u>\$ 24,369,559</u>	<u>\$ 1,389,901</u>	<u>\$ 25,759,460</u>	<u>\$ (10,068,718)</u>
\$ 648,587		\$ 648,587	\$ (203,714)
309,475	\$ 34,480	343,955	528,250
<u>\$ 958,062</u>	<u>\$ 34,480</u>	<u>\$ 992,542</u>	<u>\$ 324,536</u>
<u>\$ 25,327,621</u>	<u>\$ 1,424,381</u>	<u>\$ 26,752,002</u>	<u>\$ (9,744,182)</u>
\$ 380,597		\$ 380,597	\$ 43,080
450		450	1,550
1,502	\$ (132)	1,370	(1,383)
(87)	25,117	25,030	15,452
1,041		1,041	1,959
			178,468
12,285		12,285	(224)
94,645		94,645	18,438
<u>\$ 490,433</u>	<u>\$ 24,985</u>	<u>\$ 515,418</u>	<u>\$ 257,340</u>
<u>\$ 25,818,054</u>	<u>\$ 1,449,366</u>	<u>\$ 27,267,420</u>	<u>\$ (9,486,842)</u>
<u>\$ 1,613,631</u>	<u>\$ (1,613,631)</u>		
\$ 24,467,591		\$ 24,467,591	\$ (6,814,616)
579,299		579,299	(117,593)
390,832		390,832	51,070
<u>\$ 25,437,722</u>		<u>\$ 25,437,722</u>	<u>\$ (6,881,139)</u>
\$ 1,993,963	\$ (164,265)	\$ 1,829,698	<u>\$ (2,605,703)</u>
4,641,012	1,030,354	5,671,366	
<u>\$ 6,634,975</u>	<u>\$ 866,089</u>	<u>\$ 7,501,064</u>	

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 838,839	\$ 226,138	\$ 158,712	\$ 1,223,689
Payroll related expense	160,604	55,285	42,211	258,100
 Total Salaries and Related Expenses	 \$ 999,443	 \$ 281,423	 \$ 200,923	 \$ 1,481,789
 Donated food distributed	 14,834,100			 14,834,100
Direct food distribution costs	678,388			678,388
Program expense	54,555			54,555
Contributions expense	139,082			139,082
Grant expense and special projects	5,694			5,694
Telephone	12,188	6,094	4,288	22,570
Professional fees	69,126	34,563	24,323	128,012
Equipment lease	115,371	14,188	3,539	133,098
Postage	4,847	2,424	1,705	8,976
Printing	3,387	1,693	1,192	6,272
Office expense	13,424	6,712	4,723	24,859
Utilities	91,398	9,140	1,016	101,554
Buildings and ground maintenance	99,452	9,946	1,105	110,503
Commercial property insurance	12,619	6,310	4,440	23,369
General supplies	20,303	2,030	226	22,559
Equipment maintenance	31,841	5,620	2,429	39,890
Vehicle expense	144,965	19,337	5,734	170,036
Conferences and meetings	9,049	5,804	2,219	17,072
Organization dues		17,107		17,107
Mileage	3,804	2,441	933	7,178
Miscellaneous expense	4,198	1,163		5,361
Advertising	50,325		42,869	93,194
Interest expense		605		605
Direct fundraising	3,706	9,935	126,771	140,412
Special events			10,670	10,670
 Total Expenses Before Depreciation	 \$ 17,401,265	 \$ 436,535	 \$ 439,105	 \$ 18,276,905
 Depreciation expense	 251,710	 25,171	 2,797	 279,678
 Total Expenses	 \$ 17,652,975	 \$ 461,706	 \$ 441,902	 \$ 18,556,583

See accompanying Notes to Financial Statements.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 659,631	\$ 283,801	\$ 143,096	\$ 1,086,528
Payroll related expense	119,244	51,303	25,867	196,414
 Total Salaries and Related Expenses	 \$ 778,875	 \$ 335,104	 \$ 168,963	 \$ 1,282,942
 Donated food distributed	 22,160,694			 22,160,694
Direct food distribution costs	585,669			585,669
Program expense	16,576			16,576
Grant expense and special projects	35,884			35,884
Telephone	11,256	5,628	3,960	20,844
Professional fees	95,369	47,685	33,556	176,610
Equipment lease	94,814	12,392	3,533	110,739
Postage	5,526	2,763	1,944	10,233
Printing	1,805	903	635	3,343
Office expense	13,742	6,871	4,835	25,448
Utilities	91,476	9,147	1,017	101,640
Buildings and ground maintenance	83,477	8,348	927	92,752
Commercial property insurance	11,223	5,612	3,949	20,784
General supplies	66,138	6,614	735	73,487
Equipment maintenance	34,080	4,008	890	38,978
Vehicle expense	115,160	14,985	4,235	134,380
Conferences and meetings		78,360		78,360
Organization dues		7,767		7,767
Mileage	5,917	3,795	1,451	11,163
Miscellaneous expense	31,274			31,274
Advertising	41,761		35,575	77,336
Interest expense		3,120		3,120
Direct fundraising	13	7,511	121,556	129,080
Special events			995	995
 Total Expenses Before Depreciation	 \$ 24,280,729	 \$ 560,613	 \$ 388,756	 \$ 25,230,098
 Depreciation expense	 186,862	 18,686	 2,076	 207,624
 Total Expenses	 \$ 24,467,591	 \$ 579,299	 \$ 390,832	 \$ 25,437,722

See accompanying Notes to Financial Statements.

7.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from food distribution services	\$ 504,750	\$ 301,481
Cash received from poverty alleviation services	3,300	25,539
Cash received from grants and contributions	3,516,475	4,276,865
Cash paid to suppliers and employees	(3,500,265)	(3,067,659)
Rent received	113,083	94,645
Interest received	4,170	4,569
Interest paid	<u>(1,889)</u>	<u>(1,836)</u>
Net Cash Provided By Operating Activities	<u>\$ 639,624</u>	<u>\$ 1,633,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for buildings and improvements	\$ (164,046)	\$ (60,340)
Purchase of equipment	(232,549)	(692,612)
Disposal of equipment	16,882	2,000
Change in endowment funds	(1,276)	(3,090)
Proceeds from the sale of donated investments	<u>(13)</u>	<u>4,171</u>
Net Cash Used For Investing Activities	<u>\$ (381,002)</u>	<u>\$ (749,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan		\$ 257,784
Payments on loan		<u>(79,316)</u>
Net Cash Provided By Financing Activities		<u>\$ 178,468</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 258,622	\$ 1,062,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,612,348</u>	<u>550,147</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,870,970</u>	<u>\$ 1,612,348</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents, current	\$ 1,783,962	\$ 1,494,969
Cash and cash equivalents, under donor imposed restrictions	<u>87,008</u>	<u>117,379</u>
	<u>\$ 1,870,970</u>	<u>\$ 1,612,348</u>

See accompanying Notes to Financial Statements.

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

	<u>2021</u>	<u>2020</u>
CHANGE IN NET ASSETS	<u>\$ (776,005)</u>	<u>\$ 1,829,698</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	\$ 279,678	\$ 207,624
Gain on investments	(40,482)	(25,030)
Gain on disposal of equipment	(3,000)	(1,041)
Forgiveness of debt - Paycheck Protection Program loan	(178,468)	
Interest earned on long-term certificates of deposit	(179)	(222)
Other in-kind donations received	(9,745)	(4,257)
 Cash flows provided by (used for) asset changes:		
Accounts receivable	81,073	(79,116)
Pledges receivable	289,429	230,979
Grants receivable	142,805	(172,351)
Inventory	872,004	(434,193)
Prepaid expense	(4,207)	(7,263)
Gift cards	(5,149)	
 Cash flows provided by (used for) liability changes:		
Accounts payable	(5,826)	69,237
Accrued salaries, wages, and vacation	(1,467)	18,556
Payroll benefits payable	447	(301)
Accrued interest	(1,284)	1,284
 Total Adjustments	<u>\$ 1,415,629</u>	<u>\$ (196,094)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 639,624</u>	<u>\$ 1,633,604</u>
 NON-CASH OPERATING ACTIVITIES		
Donated food received	\$ 13,918,617	\$ 22,513,749
Donated food distributed	<u>(14,834,100)</u>	<u>(22,160,694)</u>
	<u>\$ (915,483)</u>	<u>\$ 353,055</u>
 NON-CASH INVESTING ACTIVITIES		
Other in-kind donations received	<u>\$ 9,745</u>	<u>\$ 4,257</u>
	<u>\$ 9,745</u>	<u>\$ 4,257</u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Second Harvest Food Bank of East Central Indiana, Inc. (the Organization) is a regional food bank located in Muncie, Indiana. The Organization's programs are focused toward the goals of eliminating poverty, addressing food insecurity, and reducing childhood hunger. Its mission is to provide a coordinated approach to alleviating hunger in East Central Indiana.

The Organization operates a central warehousing facility which solicits food donations, holds the inventory and distributes the food through sales and donations to organizations that in turn give the food to the hungry. Food is distributed to qualified 501(c)(3) charities, known as member agencies and to the public through Organization sponsored initiatives. Most food received by the Organization is donated from the food industry although some food comes from the community. A small amount of food is purchased. Commodities from the United States Department of Agriculture (USDA) are also made available to member agencies. Other support consists of grants received from governments and nonprofit organizations as well as donations from individuals.

In 2016, the Organization merged with the Delaware County based program, TEAMwork for Quality Living, providing a focus toward poverty alleviation within the community. The merger has enabled the Organization to provide families with not only food resources, but also resources that assist in becoming self-sufficient.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records of Second Harvest Food Bank of East Central Indiana, Inc. are maintained on the accrual basis of accounting.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") *Accounting Standards Codification ("ASC")*. FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: "net assets without donor restrictions" and "net assets with donor restrictions".

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Inventory

Inventory consists of food and other grocery products that are valued at cost except for donated food which is reflected at fair market value based on Feeding America's Product Valuation Survey Methodology. The Organization evaluates perishable products on a continuing basis for spoilage and records a loss if spoilage occurs. No provision for estimated spoilage of inventory has been made, as management believes all inventory will be utilized prior to any spoilage.

Property and Equipment

Property and equipment are stated at cost as of the date of purchase or at fair value as of the date of donation. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$279,678 and \$207,624 in 2021 and 2020, respectively.

Building and improvements	15 to 39 years
Equipment and fixtures	5 to 10 years
Vehicles	5 to 10 years

When assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is reflected in activities. Expenditures for maintenance and repairs are expensed when incurred. Expenditures that result in the enhancement of the value of the assets involved are treated as additions to property and equipment.

Accounts Receivable

The Organization's accounts receivable balance consists of amounts billed or billable for goods provided. Interest is not charged on outstanding balances.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)*Uncollectible Accounts*

Uncollectible receivables are charged directly against revenue when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America. For the years ended December 31, 2021 and 2020, there were no bad debts written off.

Support

In accordance with FASB ASC 958, *Not-for-Profit Entities*, contributions received are recorded as support “without donor restrictions” and “with donor restriction”, depending on the existence and/or nature of any donor restrictions. FASB ASC 605-205-15 *Accounting for Contributions Received and Made*, requires that “unconditional promises to give” be recorded as receivables and revenue; and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor restrictions.

Contributions are generally available for unrestricted use in the various activities undertaken by the Organization unless specifically restricted by the donor. Contributions received as restricted by the donor for a specific purpose are reported as restricted until such time as the donor’s restriction expires. Restrictions are normally removed when the contributions are expended for the purpose restricted by the donor or the project for which the contributions were specifically donated is completed.

Donated food is recorded as support at its estimated fair market value. Fair market value is based on Feeding America’s Product Valuation Survey Methodology. Commodities received through the USDA are valued based on price listings set forth by the USDA. Donated food and commodities are recorded as inventory at the estimated fair market value until distributed.

Revenue from Food and Shared Maintenance

Maintenance fees are charged for the handling and delivery of purchased or donated food to agencies and is recorded at the time the purchase is made. Maintenance fees are not charged on the delivery of governmental food donations. These fees are shown as other revenue with no donor restrictions in the statement of activities.

Donated Services

The Organization receives donated services from unpaid volunteers who assist the Organization in the food sorting activities. During 2020, the Organization was the beneficiary of approximately 29,000 volunteer hours provided by the Indiana National Guard. Total volunteer hours of 51,289 and 50,686 were utilized during 2021 and 2020, respectively. Contributed services have not been recognized in the accompanying statements of activities because the criteria for recognition in the financial statements have not been satisfied.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Functional Allocation of Expenses*

The Organization's principal activities are food distribution and poverty alleviation. The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function.

Expenses are allocated to each program based on direct expenditures incurred. Program expenditures relating to more than one function are allocated based on estimates made by management according to periodic time, utilized space, and other expense studies. Program expenses are those related to food distribution, education, and resources. Management and general expenses relate to administrative expenses associated to those programs and are allocated based on estimates of time and effort considered by management to be reasonable. Fundraising relates to direct cost of special events and development activities carried on by the Organization as well as the allocation of employees' salaries, when applicable, and other costs involved in fundraising and special events.

Income Taxes

The Organization is exempt from income taxes under *Section 501(c)(3)* of the *Internal Revenue Code*. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*.

The Organization's federal and state income tax returns are subject to examination by taxing authorities, generally for three years after they were filed.

Shipping and Handling

Shipping and handling costs are expensed as incurred under program expense and are included within direct food distribution costs. For the years ended December 31, 2021 and 2020, shipping and handling costs were \$23,267 and \$49,753, respectively.

Advertising

The Organization expenses advertising costs as incurred. For the years ended December 31, 2021 and 2020, advertising costs amounted to \$93,194 and \$77,336, respectively. Advertising costs are reported within the statement of functional expenses.

Date of Management's Review

Management has evaluated subsequent events through the date on which the financial statements were made available to be issued. The date is the same as the independent auditor's report date.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Reclassifications*

Certain prior year amounts have been reclassified to conform to current year presentation.

Recent Accounting Pronouncements

In February 2016, the *FASB* issued *ASU No. 2016-02, Leases (Topic 842)*. The standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statements of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard will be effective for fiscal years beginning January 1, 2022. Management is evaluating the potential impact of this new guidance on the financial statements.

In September 2020, the *FASB* issued *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which is effective for fiscal years beginning January 1, 2022, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, are comprised as follows:

	<u>2021</u>	<u>2020</u>
Operating Financial Assets:		
Cash and cash equivalents	\$ 1,783,962	\$ 1,494,969
Accounts receivable	27,523	108,596
Grants receivable	113,172	255,977
Certificates of deposit	23,671	23,494
Gift cards	5,149	
Donated securities on hand	9,745	
	<u>\$ 1,963,222</u>	<u>\$ 1,883,036</u>

Reconciliation of Net Assets Without Donor Restrictions
to Financial Assets Available to Meet Cash Needs:

Net assets without donor restrictions	\$ 6,136,998	\$ 6,634,975
Less:		
Inventory	(1,643,486)	(2,515,491)
Prepaid expense	(16,165)	(11,958)
Property and equipment, net	(2,664,908)	(2,561,871)
Add:		
Accounts payable	82,788	88,614
Accrued salaries, wages, and vacation	66,548	68,015
Payroll benefits payable	447	
Accrued interest payable		1,284
Note payable		178,468
Deposits	1,000	1,000
	<u>\$ 1,963,222</u>	<u>\$ 1,883,036</u>

The Organization's annual operating cash needs are determined during their budgeting process. General expenditures include management and general, program, and fundraising expenses expected to be paid in a subsequent year. Cash is monitored daily and evaluated by management.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

4. **PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2021 and 2020, represent unconditional promises to give as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give	\$ 316,220	\$ 613,909
Less unamortized discount	<u>(5,112)</u>	<u>(13,372)</u>
Net Pledge Receivables	<u>\$ 311,108</u>	<u>\$ 600,537</u>

Pledges receivable are due as follows:

	<u>2021</u>	<u>2020</u>
Due within less than one year	\$ 202,260	\$ 411,739
Due within one to five years (less unamortized discount)	<u>108,848</u>	<u>188,798</u>
	<u>\$ 311,108</u>	<u>\$ 600,537</u>

Pledges can be both unrestricted and donor-restricted in nature. Pledges receivable with due dates extending beyond one year are discounted at the prime interest rate. The applicable interest rate at December 31, 2021 and 2020 was 3.25%. Uncollectible pledges are not expected to be significant; accordingly, no provision has been made for uncollectible amounts. Amortization of the discount is reported in the statement of activities as public support revenue.

5. **INVENTORY**

Inventory consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Donated food	\$ 625,975	\$ 1,087,503
Purchased food	148,467	105,515
USDA commodities	<u>869,045</u>	<u>1,322,473</u>
Total	<u>\$ 1,643,487</u>	<u>\$ 2,515,491</u>

6. **BENEFICIAL INTEREST IN ENDOWMENTS**

The Organization has established nine endowment funds with community foundations in East Central Indiana. The Organization transferred monies from its investment portfolios to establish the funds. At the time of the transfer, the Organization granted variance power to the foundations. That power gives the foundation the right to distribute the investment income to another not-for-profit organization of its choice if the Organization ceases to exist or if the governing board of the foundation votes that support of the Organization is no longer necessary or is inconsistent with the mission and purposes of the community foundation. At December 31, 2021 and 2020, the endowment funds had values of \$189,944 and \$148,173, respectively.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

7. **FAIR VALUE MEASUREMENTS**

The following table presents the fair value hierarchy for the financial assets measured at fair value on a recurring basis:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Beneficial interest in endowments	\$ 189,944		\$ 189,944	
Donated food inventory	625,975		625,975	
USDA commodities	869,045		869,045	
	<u>\$ 1,684,964</u>	<u>\$ -0-</u>	<u>\$ 1,684,964</u>	<u>\$ -0-</u>
December 31, 2020				
Beneficial interest in endowments	\$ 148,173		\$ 148,173	
Donated food inventory	1,087,503		1,087,503	
USDA commodities	1,322,473		1,322,473	
	<u>\$ 2,558,149</u>	<u>\$ -0-</u>	<u>\$ 2,558,149</u>	<u>\$ -0-</u>

FASB ASC 820, Fair Value, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under *FASB ASC 820* are described as follows:

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

7. **FAIR VALUE MEASUREMENTS** (continued)

Level 1 Fair Value Measurements – Inputs that utilize unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Fair Value Measurements – Inputs that are other than unadjusted quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date. (The fair value of the Organization’s beneficial interest in endowment funds is based on valuations provided by the participating community foundations. The fair value of the Organization’s donated food inventories and USDA commodities is based on Feeding America’s Product Valuation Survey Methodology.)

Level 3 Fair Value Measurements – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions as there is little, if any, related market activity.

8. **ENDOWMENT**

The Organization’s endowments consist of nine individual funds established to support the charitable purposes of the Organization. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the nature of the endowment restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Indiana act of the *Uniform Prudent Management of Institutional Funds* (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual is still considered donor-restricted until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. The Organization is subject to the investment and spending policies of each community foundation.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

8. **ENDOWMENT** (continued)

Endowment Net Assets

Endowment net asset composition as of December 31, 2021, was as follows:

	Without Donor Restriction	With Donor Restriction		Total
		<u>Spendable</u>	<u>Perpetual</u>	<u> </u>
Beneficial interest in endowments	\$ -0-	\$ 101,309	\$ 88,635	\$ 189,944
Total Endowment Funds	<u>\$ -0-</u>	<u>\$ 101,309</u>	<u>\$ 88,635</u>	<u>\$ 189,944</u>

Changes in endowment net assets for the year ended December 31, 2021, were as follows:

	Without Donor Restriction	With Donor Restriction		Total
		<u>Spendable</u>	<u>Perpetual</u>	<u> </u>
Endowment net assets at December 31, 2020	\$ -0-	\$ 62,538	\$ 85,635	\$ 148,173
Contributions			3,000	3,000
Investment return				
Investment income		3,188		3,188
Investment expense		(4,362)		(4,362)
Net realized gain		8,356		8,356
Net unrealized gain		32,139		32,139
Appropriation of endowment assets for expenditures		<u>(550)</u>		<u>(550)</u>
Endowment Net Assets at December 31, 2021	<u>\$ -0-</u>	<u>\$ 101,309</u>	<u>\$ 88,635</u>	<u>\$ 189,944</u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

8. **ENDOWMENT** (continued)

Endowment Net Assets (continued)

Endowment net asset composition as of December 31, 2020, was as follows:

	Without Donor Restriction	<u>With Donor Restriction</u> Spendable	<u>Perpetual</u>	<u>Total</u>
Beneficial interest in endowments	\$ -0-	\$ 62,538	\$ 85,635	\$ 148,173
Total Endowment Funds	<u>\$ -0-</u>	<u>\$ 62,538</u>	<u>\$ 85,635</u>	<u>\$ 148,173</u>

Changes in endowment net assets for the year ended December 31, 2020, were as follows:

	Without Donor Restriction	<u>With Donor Restriction</u> Spendable	<u>Perpetual</u>	<u>Total</u>
Endowment net assets at December 31, 2019	\$ -0-	\$ 37,832	\$ 82,135	\$ 119,967
Contributions			3,500	3,500
Investment return				
Investment income		3,289		3,289
Investment expense		(3,421)		(3,421)
Net realized gain		2,429		2,429
Net unrealized gain		22,688		22,688
Appropriation of endowment assets for expenditures		<u>(279)</u>		<u>(279)</u>
Endowment Net Assets at December 31, 2020	<u>\$ -0-</u>	<u>\$ 62,538</u>	<u>\$ 85,635</u>	<u>\$ 148,173</u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

8. **ENDOWMENT** (continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level of donor-restricted assets required to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported as a reduction in the donor-restricted perpetual net assets. Deficiencies are a result of unfavorable market declines and distributions in excess of principal over the past years. There were no deficiencies within the endowment funds at December 31, 2021 and 2020.

9. **LONG-TERM LIABILITIES**

On April 16, 2020, the Organization entered into a loan agreement with the U. S. Small Business Administration through First Merchants Bank, N. A. issued under the CARES Act Paycheck Protection Program to secure a loan in the amount of \$178,468. The loan called for monthly principal and interest payments totaling \$10,044 to begin November 16, 2020, with a maturity date of April 16, 2022. Interest was fixed at a 1.00% rate through the 18-month term of the loan. Subsequent to the December 31, 2020, year-end, the Organization applied for forgiveness of the loan based on the criteria established by the CARES Act and received confirmation of debt forgiveness on the entire balance on April 15, 2021.

During the 2020, the Organization financed two equipment purchases using short-term borrowings which were paid off before the end of the year. In January 2020, the Organization financed the purchase of forklift equipment totaling \$36,039 which was paid off in May 2020. In March 2020, the Organization borrowed \$43,277 related to the purchase of a utility trailer which was subsequently paid in full in November 2020.

As of December 31, 2021, there are no required future minimum principal payments due.

10. **NET ASSETS**

Donor-restricted net assets as of December 31, 2021 and 2020, consist of:

	2021	2020
Permanent endowment funds	\$ 88,635	\$ 85,635
Accumulated earnings from endowment funds	101,309	62,538
Unexpended grants and donations	398,117	717,916
Total	\$ 588,061	\$ 866,089

At December 31, 2021 and 2020, the cash and cash equivalent balances on the statement of financial position included donor-restricted net assets totaling \$87,008 and \$117,379, respectively.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

11. OPERATING LEASES

The Organization leases office equipment under non-cancelable lease agreements and vehicles as needed. The future minimum lease payments under the non-cancelable operating lease are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2022	\$ 48,072
2023	47,592
2024	<u>33,711</u>
	<u>\$ 129,375</u>

Total rent expense for the years ended December 31, 2021 and 2020, was \$133,098 and \$110,739, respectively.

The Organization receives rent from leases of warehouse space (on a month-to-month basis) and farm ground. Rent income for the years ended December 31, 2021 and 2020, was \$113,083 and \$94,645, respectively.

12. SIMPLE IRA

The Organization maintains a SIMPLE IRA plan for participating employees. The Organization's contributions to the plan as the employer were \$16,914 and \$9,358 in 2021 and 2020, respectively.

13. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in four financial institutions located in Muncie, Indiana. The balances at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Throughout the year, there may be times that balances in the bank may exceed the FDIC limit. At December 31, 2021, the Organization had an uninsured cash balance with one financial institution in the amount of \$944,951.

For the years of 2021 and 2020, respectively, the Organization received food donations from the U. S. Department of Agriculture through The Emergency Food Assistance Program (TEFAP) which approximated 27% and 51% of its total direct support.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****14. RISKS AND UNCERTAINTIES**

The Organization is the beneficiary of endowments held at various local community foundations. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of the investments, it is at least reasonably possible that changes in risk in the near-term would materially affect the amount reported in the statement of financial position and the statement of activities.

The global pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets initially experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of the pandemic on the Organization's operational performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which the pandemic may impact the Organization's financial condition, results of operations, and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to its effects.

SUPPLEMENTAL INFORMATION

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF GRANT REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Federal Award Programs		
State of Indiana - USDA Commodities	\$ 444,873	\$ 611,817
Produce Alliance - Coronavirus Food Assistance Program		2,184
Gleaners Food Bank - Coronavirus Food Assistance Program		32,736
United Way Worldwide - The Emergency Food and Shelter Program		1,850
	<u>\$ 444,873</u>	<u>\$ 648,587</u>
Other Grants		
AEP Foundation		\$ 50,000
Ball Brothers Foundation	\$ 45,000	10,000
Bayer	10,000	
Community Foundation of Blackford County	5,000	
Community Foundation of Henry County	10,000	2,000
Community Foundation of Madison County	10,400	5,000
Community Foundation of Muncie and Delaware County	21,226	27,000
Community Foundation of Randolph County	3,000	4,640
Community Foundation of Wabash County	5,000	5,000
Feeding America	216,821	87,000
Feeding Indiana's Hungry, Inc.		7,810
Ford Meter Box Foundation		2,500
George and Frances Ball Foundation	35,000	32,000
Heart of Indiana United Way	155,758	12,480
Indiana Department of Health	20,000	
Indiana State Department of Agriculture	79,000	23,640
Meijer		5,000
Miscellaneous grants	11,500	7,885
Nestle USA	10,000	
Partnership for a Healthier America	70,000	
Samerian Foundation	5,000	
The Boren Foundation	40,000	30,000
The Glick Fund	7,500	
The Kroger Co. Foundation	50,000	
The Portland Foundation	5,000	
Tyson Foods	25,000	30,000
United Way of Jay County	2,000	2,000
United Way of Madison County	25,000	
Westfield Foundation	5,000	
	<u>\$ 872,205</u>	<u>\$ 343,955</u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<i>Food Distribution Cluster</i>			
U.S. Department of Agriculture			
Pass-through Programs From:			
Indiana State Department of Health			
The Emergency Food Assistance Program - Administrative Costs (TEFAP)	10.568	47934	\$ 236,012
	10.568	56775	120,961
	10.568	57034	52,699
	10.568	57284	20,000
	10.568	58636	15,201
			\$ 444,873
The Emergency Food Assistance Program - Food Commodities	10.569		\$ 4,834,449
Total Food Distribution Cluster			\$ 5,279,322

See accompanying Notes to Schedule of Expenditures of Federal Awards.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021****NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Second Harvest Food Bank of East Central Indiana, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of *Title 2 U. S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE C – INDIRECT COST RATE

Second Harvest Food Bank of East Central Indiana, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D – FOOD DONATIONS

Food received through the U. S. Department of Agriculture is valued at estimated cost provided by the program. At December 31, 2021, the Organization had food commodities from the program totaling \$869,045 in inventory.

SPECIAL REPORTS



WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Second Harvest Food Bank of
East Central Indiana, Inc.
Muncie, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of East Central Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2022.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of East Central Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Second Harvest Food Bank of East Central Indiana, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of East Central Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Muncie, Indiana

September 19, 2022



WHITINGER & COMPANY^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Second Harvest Food Bank of
East Central Indiana, Inc.
Muncie, Indiana

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

OPINION ON EACH MAJOR FEDERAL PROGRAM

We have audited Second Harvest Food Bank of East Central Indiana, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Second Harvest Food Bank of East Central Indiana, Inc.'s major federal programs for the year ended December 31, 2021. Second Harvest Food Bank of East Central Indiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Harvest Food Bank of East Central Indiana, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

BASIS FOR OPINION ON EACH MAJOR FEDERAL PROGRAM

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Second Harvest Food Bank of East Central Indiana, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Second Harvest Food Bank of East Central Indiana, Inc.'s compliance with the compliance requirements referred to above.

RESPONSIBILITIES OF MANAGEMENT FOR COMPLIANCE

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Second Harvest Food Bank of East Central Indiana, Inc.'s federal programs.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF COMPLIANCE

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Second Harvest Food Bank of East Central Indiana, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Second Harvest Food Bank of East Central Indiana, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Second Harvest Food Bank of East Central Indiana, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of East Central Indiana, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Whitiger & Company LLC

Certified Public Accountants
Muncie, Indiana

September 19, 2022

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued.	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditor's report issued on compliance for major programs.	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with <i>2 CFR Section 200.516(a)</i> ?	_____ yes	_____ <u>X</u> no

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section 1 - Summary of Auditor's Results (continued)

Identification of major programs:

CFDA Number	State Grant Number	Name of Federal Program or Cluster
10.568	47934	The Emergency Food Assistance Program - Administrative Costs
10.568	56775	
10.568	57034	
10.568	57284	
10.568	58636	
10.569	----	The Emergency Food Assistance Program - Food Commodities

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

_____ yes X no

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Section 2 - Financial Statement Findings

No matters were reported

Section 3 - Federal Awards Findings and Questioned Costs

No matters were reported