

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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 present fairly, in all material respects, the financial position of Second Harvest Food Bank of East Central Indiana, Inc. as of December 31, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 audits were 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 12, 2023 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.

Whitiger & Company LLC

Certified Public Accountants
Muncie, Indiana

September 12, 2023

FINANCIAL STATEMENTS

1.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,231,274	\$ 1,783,962
Accounts receivable, trade	42,863	27,523
Pledges receivable, current net of discount (Note 4)	312,460	202,260
Grants receivable	49,049	113,172
Inventory (Note 5)	1,592,679	1,643,487
Prepaid expense	15,731	16,165
	<u>3,244,056</u>	<u>3,786,569</u>
Total Current Assets	\$ 3,244,056	\$ 3,786,569
PROPERTY AND EQUIPMENT (Note 2)		
Operating lease right-of-use assets	<u>\$ 117,707</u>	
Land and building	\$ 2,996,066	\$ 2,914,998
Equipment and fixtures	842,631	757,847
Vehicles	778,300	778,300
Deposits on equipment	44,480	103,284
	<u>\$ 4,661,477</u>	<u>\$ 4,554,429</u>
Less accumulated depreciation	(2,173,396)	(1,889,521)
	<u>\$ 2,488,081</u>	<u>\$ 2,664,908</u>
Total Property and Equipment	\$ 2,605,788	\$ 2,664,908
OTHER ASSETS		
Cash reserved under donor imposed restrictions	\$ 407,400	\$ 87,008
Pledges receivable, long-term net of discount (Note 4)	258,605	108,848
Beneficial interest in endowments (Notes 6, 7 and 8)	146,921	189,944
Certificates of deposit	23,719	23,671
Gift cards	8,596	5,149
Donated securities on hand	14	9,745
	<u>845,255</u>	<u>424,365</u>
Total Other Assets	\$ 845,255	\$ 424,365
Total Assets	<u>\$ 6,695,099</u>	<u>\$ 6,875,842</u>

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 48,927	\$ 82,788
Accrued salaries, wages, and vacation	92,100	66,548
Payroll benefits payable		447
Current portion of operating lease liabilities	<u>84,476</u>	
Total Current Liabilities	<u>\$ 225,503</u>	<u>\$ 149,783</u>
LONG-TERM LIABILITIES, net of current portion		
Operating lease liabilities	\$ 119,128	
Less current portion of long-term liabilities	<u>(84,476)</u>	
	<u>\$ 34,652</u>	
Deposits	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Total Long-Term Liabilities	<u>\$ 35,652</u>	<u>\$ 1,000</u>
Total Liabilities	<u>\$ 261,155</u>	<u>\$ 150,783</u>
NET ASSETS (Note 10)		
Without donor restrictions		
Undesignated	\$ 4,808,078	\$ 5,797,722
Designated by board for capital improvements	<u>500,480</u>	<u>339,276</u>
	<u>\$ 5,308,558</u>	<u>\$ 6,136,998</u>
With donor restrictions		
Subject to purpose and time restrictions	\$ 1,036,751	\$ 499,426
Perpetual in nature	<u>88,635</u>	<u>88,635</u>
	<u>\$ 1,125,386</u>	<u>\$ 588,061</u>
Total Net Assets	<u>\$ 6,433,944</u>	<u>\$ 6,725,059</u>
Total Liabilities and Net Assets	<u>\$ 6,695,099</u>	<u>\$ 6,875,842</u>

3.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Direct Public Support			
Donated inventory	\$ 13,590,442		\$ 13,590,442
Contributions	1,080,565	\$ 1,189,156	2,269,721
Other in-kind contributions	77,690		77,690
Special events	15,955		15,955
Total Direct Public Support	<u>\$ 14,764,652</u>	<u>\$ 1,189,156</u>	<u>\$ 15,953,808</u>
Indirect Public Support			
Federal award programs (schedule)	\$ 245,527		\$ 245,527
Other grants (schedule)	543,350	\$ 80,000	623,350
Total Indirect Public Support	<u>\$ 788,877</u>	<u>\$ 80,000</u>	<u>\$ 868,877</u>
Total Public Support	<u>\$ 15,553,529</u>	<u>\$ 1,269,156</u>	<u>\$ 16,822,685</u>
Other Revenue			
Food and shared maintenance	\$ 570,213		\$ 570,213
Other program revenue	4,250		4,250
Net investment income (loss)	(353)		(353)
Change in beneficial interest in endowments		\$ (43,023)	(43,023)
Gain on disposal of equipment			
Forgiveness of debt - Paycheck Protection Program			
Miscellaneous income	16,601		16,601
Rent income	106,449		106,449
Total Other Revenue	<u>\$ 697,160</u>	<u>\$ (43,023)</u>	<u>\$ 654,137</u>
Total Public Support and Revenue	<u>\$ 16,250,689</u>	<u>\$ 1,226,133</u>	<u>\$ 17,476,822</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of donor and time restrictions	<u>\$ 688,808</u>	<u>\$ (688,808)</u>	
EXPENSES			
Programs	\$ 16,850,858		\$ 16,850,858
Management and general	405,937		405,937
Fundraising	511,142		511,142
Total Expenses	<u>\$ 17,767,937</u>		<u>\$ 17,767,937</u>
CHANGE IN NET ASSETS	\$ (828,440)	\$ 537,325	\$ (291,115)
NET ASSETS, BEGINNING OF YEAR	<u>6,136,998</u>	<u>588,061</u>	<u>6,725,059</u>
NET ASSETS, END OF YEAR	<u>\$ 5,308,558</u>	<u>\$ 1,125,386</u>	<u>\$ 6,433,944</u>

2021			
Without Donor Restrictions	With Donor Restrictions	Total	Change
\$ 13,918,617		\$ 13,918,617	\$ (328,175)
1,255,739	\$ 391,068	1,646,807	622,914
120,818		120,818	(43,128)
4,500		4,500	11,455
<u>\$ 15,299,674</u>	<u>\$ 391,068</u>	<u>\$ 15,690,742</u>	<u>\$ 263,066</u>
\$ 424,873	\$ 20,000	\$ 444,873	\$ (199,346)
854,725	17,480	872,205	(248,855)
<u>\$ 1,279,598</u>	<u>\$ 37,480</u>	<u>\$ 1,317,078</u>	<u>\$ (448,201)</u>
<u>\$ 16,579,272</u>	<u>\$ 428,548</u>	<u>\$ 17,007,820</u>	<u>\$ (185,135)</u>
\$ 423,677		\$ 423,677	\$ 146,536
2,000		2,000	2,250
1,148		1,148	(1,501)
	\$ 39,321	39,321	(82,344)
3,000		3,000	(3,000)
178,468		178,468	(178,468)
12,061		12,061	4,540
113,083		113,083	(6,634)
<u>\$ 733,437</u>	<u>\$ 39,321</u>	<u>\$ 772,758</u>	<u>\$ (118,621)</u>
\$ 17,312,709	\$ 467,869	\$ 17,780,578	\$ (303,756)
<u>\$ 745,897</u>	<u>\$ (745,897)</u>		
\$ 17,652,975		\$ 17,652,975	\$ (802,117)
461,706		461,706	(55,769)
441,902		441,902	69,240
<u>\$ 18,556,583</u>		<u>\$ 18,556,583</u>	<u>\$ (788,646)</u>
\$ (497,977)	\$ (278,028)	\$ (776,005)	\$ 484,890
<u>6,634,975</u>	<u>866,089</u>	<u>7,501,064</u>	
<u>\$ 6,136,998</u>	<u>\$ 588,061</u>	<u>\$ 6,725,059</u>	

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,008,670	\$ 184,345	\$ 148,734	\$ 1,341,749
Payroll related expense	224,981	50,850	41,173	317,004
Total Salaries and Related Expenses	\$ 1,233,651	\$ 235,195	\$ 189,907	\$ 1,658,753
Donated food distributed	13,656,629			13,656,629
Direct food distribution costs	925,706			925,706
Program expense	50,132			50,132
Contributions expense	8,871			8,871
Grant expense and special projects	5,943			5,943
Telephone	13,923	6,961	4,899	25,783
Professional fees	38,682	41,183	13,610	93,475
Equipment lease	112,281	3,438	2,420	118,139
Postage	4,344	2,172	1,528	8,044
Printing	5,861	2,930	2,062	10,853
Office expense	15,329	7,665	5,393	28,387
Utilities	94,447	9,445	1,049	104,941
Buildings and ground maintenance	85,898	8,590	955	95,443
Commercial property insurance	22,005	2,200	244	24,449
General supplies	23,405	545	61	24,011
Equipment maintenance	66,606	14,753	10,381	91,740
Vehicle expense	172,082			172,082
Conferences and meetings	18,816	12,071	4,615	35,502
Organization dues		16,626		16,626
Mileage	9,503	6,097	2,331	17,931
Miscellaneous expense	3,955	3,516	77,499	84,970
Advertising	22,545		19,205	41,750
Interest expense		3		3
Direct fundraising	4,756	6,998	164,101	175,855
Special events			8,043	8,043
Total Expenses Before Depreciation	\$ 16,595,370	\$ 380,388	\$ 508,303	\$ 17,484,061
Depreciation expense	255,488	25,549	2,839	283,876
Total Expenses	\$ 16,850,858	\$ 405,937	\$ 511,142	\$ 17,767,937

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, 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

7.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from food distribution services	\$ 554,873	\$ 504,750
Cash received from poverty alleviation services	4,250	3,300
Cash received from grants and contributions	2,964,720	3,516,475
Cash paid to suppliers and employees	(3,772,057)	(3,500,265)
Rent received	106,449	113,083
Interest received	1,881	2,894
Interest paid	(3)	(1,889)
	<u> </u>	<u> </u>
Net Cash Provided By (Used For) Operating Activities	\$ (139,887)	\$ 638,348
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for buildings and improvements	\$ (81,067)	\$ (164,046)
Purchase of equipment	(25,983)	(232,549)
Disposal of equipment		16,882
Proceeds from the sale of donated investments	14,641	(13)
	<u> </u>	<u> </u>
Net Cash Used For Investing Activities	\$ (92,409)	\$ (379,726)
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (232,296)	\$ 258,622
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,870,970</u>	<u>1,612,348</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,638,674</u>	<u>\$ 1,870,970</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents, current	\$ 1,231,274	\$ 1,783,962
Cash and cash equivalents, under donor imposed restrictions	407,400	87,008
	<u> </u>	<u> </u>
	<u>\$ 1,638,674</u>	<u>\$ 1,870,970</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

	<u>2022</u>	<u>2021</u>
CHANGE IN NET ASSETS	\$ (291,115)	\$ (776,005)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation expense	\$ 283,876	\$ 279,678
Difference between operating lease liability payment and right-of-use asset amortization	1,421	
Unrealized loss on investments	2,245	13
Gain on disposal of equipment		(3,000)
Forgiveness of debt - Paycheck Protection Program loan		(178,468)
Interest earned on long-term certificates of deposit	(48)	(179)
Other in-kind donations received	(7,154)	(9,745)
Cash flows provided by (used for) asset changes:		
Accounts receivable	(15,340)	81,073
Pledges receivable	(259,957)	289,429
Grants receivable	64,123	142,805
Inventory	50,808	872,004
Prepaid expense	434	(4,207)
Gift cards	(3,447)	(5,149)
Beneficial interest in endowments	43,023	(41,771)
Cash flows provided by (used for) liability changes:		
Accounts payable	(33,861)	(5,826)
Accrued salaries, wages, and vacation	25,552	(1,467)
Payroll benefits payable	(447)	447
Accrued interest		(1,284)
Total Adjustments	\$ 151,228	\$ 1,414,353
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (139,887)	\$ 638,348
NON-CASH OPERATING ACTIVITIES		
Donated food received	\$ 13,590,442	\$ 13,918,617
Donated food distributed	(13,656,629)	(14,834,100)
	<u>\$ (66,187)</u>	<u>\$ (915,483)</u>
NON-CASH INVESTING ACTIVITIES		
Other in-kind donations received	<u>\$ 7,154</u>	<u>\$ 9,745</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.

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.

Leases

The Organization leases certain equipment and vehicles. The determination of whether an arrangement is a lease is made at the lease's inception. Under the FASB ASC 842, *Leases*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities on the balance sheet.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free discount rate available to non-public entities based on the information available at lease commencement. Operating lease ROU assets also include any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices. For certain equipment leases, like vehicles, the Organization accounts for the lease and non-lease components as a single lease. Additionally, for certain equipment leases, the Organization applies a portfolio approach to account for the operating lease ROU assets and liabilities. None of the lease agreements contain any material residual value guarantees or restrictive covenants.

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 \$283,876 and \$279,678 in 2022 and 2021, respectively.

Building and improvements	15 to 40 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.

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, 2022 and 2021, there were no bad debts written off.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***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. Total volunteer hours of 32,821 and 51,289 were utilized during 2022 and 2021, 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, 2022 and 2021, shipping and handling costs were \$25,889 and \$23,267, respectively.

Advertising

The Organization expenses advertising costs as incurred. For the years ended December 31, 2022 and 2021, advertising costs amounted to \$41,750 and \$93,194, 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.

Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires lessees to recognize the assets and liabilities that arise from leases in the balance sheet. Additionally, in July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842) - Targeted Improvements*, which, among other things, provides an additional transition method that would allow entities to not apply the guidance in ASU 2016-02 in the comparative periods presented in the financial statements and instead recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Organization adopted ASU 2016-02 and its related amendments as of January 1, 2022, which resulted in the recognition of operating right-of-use assets totaling \$201,137, as well as operating lease liabilities totaling \$201,137. The Organization elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts or disclosures. The related policy elections made by the Organization can be found in Note 2 – Summary of Significant Accounting Policies and the additional operating lease disclosures can be found in Notes 9. There was no cumulative effect adjustment to the opening balance of retained earnings required.

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, 2022 and 2021, are comprised as follows:

	<u>2022</u>	<u>2021</u>
Operating Financial Assets:		
Cash and cash equivalents	\$ 1,231,274	\$ 1,783,962
Accounts receivable	42,863	27,523
Grants receivable	49,049	113,172
Certificates of deposit	23,719	23,671
Gift cards	8,596	5,149
Donated securities on hand	<u>14</u>	<u>9,745</u>
	<u>\$ 1,355,515</u>	<u>\$ 1,963,222</u>

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

Net assets without donor restrictions	\$ 5,308,558	\$ 6,136,998
Less:		
Inventory	(1,592,679)	(1,643,486)
Prepaid expense	(15,731)	(16,165)
Property and equipment, net	(2,605,788)	(2,664,908)
Add:		
Accounts payable	48,927	82,788
Accrued salaries, wages, and vacation	92,100	66,548
Payroll benefits payable		447
Operating lease liabilities	119,128	
Deposits	<u>1,000</u>	<u>1,000</u>
	<u>\$ 1,355,515</u>	<u>\$ 1,963,222</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, 2022 and 2021, represent unconditional promises to give as follows:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	\$ 588,460	\$ 316,220
Less unamortized discount	<u>(17,395)</u>	<u>(5,112)</u>
Net Pledge Receivables	<u>\$ 571,065</u>	<u>\$ 311,108</u>

Pledges receivable are due as follows:

	<u>2022</u>	<u>2021</u>
Due within less than one year	\$ 312,460	\$ 202,260
Due within one to five years (less unamortized discount)	<u>258,605</u>	<u>108,848</u>
	<u>\$ 571,065</u>	<u>\$ 311,108</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, 2022 and 2021 was 7.50% and 3.25%, respectively. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donated inventory	\$ 893,285	\$ 625,975
Purchased inventory	153,696	148,467
USDA commodities	<u>545,698</u>	<u>869,045</u>
Total	<u>\$ 1,592,679</u>	<u>\$ 1,643,487</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, 2022 and 2021, the endowment funds had values of \$146,921 and \$189,944, 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:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
December 31, 2022				
Beneficial interest in endowments	\$ 146,921		\$ 146,921	
Donated inventory	893,285		893,285	
USDA commodities	545,698		545,698	
	<u>\$ 1,585,904</u>	<u>\$ -0-</u>	<u>\$ 1,585,904</u>	<u>\$ -0-</u>
December 31, 2021				
Beneficial interest in endowments	\$ 189,944		\$ 189,944	
Donated 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>

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, 2022, was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction Spendable</u>	<u>Perpetual</u>	<u>Total</u>
Beneficial interest in endowments	\$ -0-	\$ 58,286	\$ 88,635	\$ 146,921
Total Endowment Funds	<u>\$ -0-</u>	<u>\$ 58,286</u>	<u>\$ 88,635</u>	<u>\$ 146,921</u>

Changes in endowment net assets for the year ended December 31, 2022, were as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction Spendable</u>	<u>Perpetual</u>	<u>Total</u>
Endowment net assets at December 31, 2021	\$ -0-	\$ 101,309	\$ 88,635	\$ 189,944
Contributions			-0-	-0-
Investment return				
Investment income		3,039		3,039
Investment expense		(4,102)		(4,102)
Net realized loss		(235)		(235)
Net unrealized loss		(41,725)		(41,725)
Appropriation of endowment assets for expenditures		-0-		-0-
Endowment Net Assets at December 31, 2022	<u>\$ -0-</u>	<u>\$ 58,286</u>	<u>\$ 88,635</u>	<u>\$ 146,921</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, 2021, was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction Spendable</u>	<u>Perpetual</u>	<u>Total</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:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction Spendable</u>	<u>Perpetual</u>	<u>Total</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)

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, 2022 and 2021.

9. OPERATING LEASES

The Organization has various operating leases for equipment and vehicles. The Organization also has certain leases with terms less than 12 months for which the Organization has elected to recognize in operating expense on the straight-line basis.

Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 10 years. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Certain lease agreements include variable payments based on a percentage of use over contractual levels, which are not determinable at lease commencement and are not included in the measurement of the lease asset and liabilities. The Organization has elected to apply the short-term lease exception to any lease with a term of one year or less. Short-term lease costs do not reflect ongoing short-term lease commitments.

The following summarizes the income statement line items within the statement of functional expense for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Equipment lease	<u>\$ 118,139</u>	<u>\$ 133,098</u>

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2022</u>
Weighted average remaining lease term	1.42 years
Weighted average discount rate	0.88%

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

9. OPERATING LEASES (continued)

The maturities of operating lease liabilities as of December 31, were as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2023	\$ 85,133
2024	34,325
2025	431
	<u>\$ 119,889</u>
Less imputed interest	<u>(761)</u>
Present value of lease liabilities	<u>\$ 119,128</u>

The Organization also receives rent from leases of warehouse space (on a month-to-month basis) and farm ground. Rent income for the years ended December 31, 2022 and 2021, was \$106,449 and \$113,083, respectively.

10. NET ASSETS

Donor-restricted net assets as of December 31, 2022 and 2021, consist of:

	<u>2022</u>	<u>2021</u>
Permanent endowment funds	\$ 88,635	\$ 88,635
Accumulated earnings from endowment funds	58,286	101,309
Unexpended grants and donations	<u>978,465</u>	<u>398,117</u>
Total	<u>\$ 1,125,386</u>	<u>\$ 588,061</u>

At December 31, 2022 and 2021, the cash and cash equivalent balances on the statement of financial position included donor-restricted net assets totaling \$407,400 and \$87,008, respectively.

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.**NOTES TO FINANCIAL STATEMENTS****11. SIMPLE IRA**

The Organization maintains a SIMPLE IRA plan for participating employees. The Organization's contributions to the plan as the employer were \$23,332 and \$16,914 in 2022 and 2021, respectively.

12. 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, 2022, the Organization had an uninsured cash balance with one financial institution in the amount of \$683,934.

For the years of 2022 and 2021, respectively, the Organization received food donations from the U. S. Department of Agriculture through The Emergency Food Assistance Program (TEFAP) which approximated 18% and 27% of its total direct support.

13. 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.

SUPPLEMENTAL INFORMATION

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**SCHEDULE OF GRANT REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Federal Award Programs		
State of Indiana - USDA Commodities	\$ 245,527	\$ 444,873
	<u>\$ 245,527</u>	<u>\$ 444,873</u>
Other Grants		
Ball Brothers Foundation	\$ 40,000	\$ 45,000
Bayer		10,000
Community Foundation of Blackford County		5,000
Community Foundation of Henry County	10,000	10,000
Community Foundation of Madison County	13,500	10,400
Community Foundation of Muncie and Delaware County	19,250	21,226
Community Foundation of Randolph County	5,000	3,000
Community Foundation of Wabash County	5,000	5,000
Duke Energy	2,500	
Feeding America	185,000	216,821
Gaither Charitable Foundation	10,000	
George and Frances Ball Foundation	40,000	35,000
Heart of Indiana United Way	45,000	155,758
Indiana Department of Health		20,000
Indiana State Department of Agriculture	77,500	79,000
Nestle USA		10,000
Partnership for a Healthier America		70,000
Ray C. McKinley Family Foundation	10,000	
Samerian Foundation		5,000
The Boren Foundation	60,000	40,000
The Glick Fund	11,600	7,500
The Kroger Co. Foundation	50,000	50,000
The Portland Foundation	5,000	5,000
Tyson Foods	25,000	25,000
United Way of Jay County	1,000	2,000
United Way of Madison County		25,000
Westfield Foundation		5,000
Miscellaneous grants	8,000	11,500
	<u>\$ 623,350</u>	<u>\$ 872,205</u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<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	58636	\$ 234,621
	10.568	65093	<u>10,906</u>
			<u>\$ 245,527</u>
The Emergency Food Assistance Program -			
Food Commodities	10.569		<u>\$ 3,252,758</u>
Total Food Distribution Cluster			<u><u>\$ 3,498,285</u></u>

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022****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, 2022. 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, 2022, the Organization had food commodities from the program totaling \$545,698 in inventory.

**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, 2022, 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 12, 2023.

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 12, 2023

**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, 2022. 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, 2022.

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 12, 2023

SPECIAL REPORTS

SECOND HARVEST FOOD BANK OF EAST CENTRAL INDIANA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022**

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

Identification of major programs:

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Name of Federal Program or Cluster</u>
10.568	58636	The Emergency Food Assistance Program -
10.568	65093	Administrative Costs
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, 2022**

Section 2 - Financial Statement Findings

No matters were reported

Section 3 - Federal Awards Findings and Questioned Costs

No matters were reported