



FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010



Alerding & Co., LLC

Consultants • Certified Public Accountants

SECOND HELPINGS, INC.

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JUNE 30, 2011 AND 2010

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Alerding & Co., LLC

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Second Helpings, Inc.
Indianapolis, Indiana

We have audited the accompanying statements of financial position of Second Helpings, Inc. as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Helpings, Inc. as of June 30, 2011 and 2010, and the changes in net assets, cash flows and functional expenses for the years then ended, in conformity with U.S. Generally Accepted Accounting Principles.

Alerding & Co.

September 20, 2011

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Current Assets: | | |
| Cash and short-term investments | \$ 687,856 | \$ 692,142 |
| Accounts receivable | 25,020 | 4,745 |
| Grants receivable, current | 141,266 | 162,010 |
| Inventories | 62,288 | 53,021 |
| Prepaid expenses and other assets | <u>2,655</u> | <u>-0-</u> |
| Total current assets | <u>919,085</u> | <u>911,918</u> |
| Property and Equipment: | | |
| Land | 49,700 | 49,700 |
| Building and improvements | 1,840,528 | 1,831,312 |
| Furniture and equipment | <u>709,135</u> | <u>686,684</u> |
| | 2,599,363 | 2,567,696 |
| Less accumulated depreciation | <u>950,684</u> | <u>857,673</u> |
| Property and equipment, net | 1,648,679 | 1,710,023 |
| Grants Receivable | <u>25,000</u> | <u>75,000</u> |
| Total assets | <u>\$ 2,592,764</u> | <u>\$ 2,696,941</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 24,084 | \$ 12,565 |
| Accrued expenses | <u>17,647</u> | <u>8,273</u> |
| Total liabilities | <u>41,731</u> | <u>20,838</u> |
| Net Assets: | | |
| Unrestricted net assets | 2,335,372 | 2,454,093 |
| Temporarily restricted net assets | <u>215,661</u> | <u>222,010</u> |
| Total net assets | <u>2,551,033</u> | <u>2,676,103</u> |
| Total liabilities and net assets | <u>\$ 2,592,764</u> | <u>\$ 2,696,941</u> |

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| Changes in Unrestricted Net Assets: | | |
| Public support and revenues: | | |
| Individual contributions | \$ 359,733 | \$ 406,322 |
| Corporate and government contributions and grants | 563,758 | 677,789 |
| In-kind contributions | <u>47,965</u> | <u>33,497</u> |
| Total public support and revenues | <u>971,456</u> | <u>1,117,608</u> |
| Program Revenue: | | |
| Rescued food | 2,719,664 | 2,453,077 |
| Special events, net of \$90,208 and \$98,094 of expenses | 91,865 | 113,224 |
| Fee income | <u>27,472</u> | <u>35,431</u> |
| Total program revenues | <u>2,839,001</u> | <u>2,601,732</u> |
| Other Revenues: | | |
| Investment income | 10,279 | 8,454 |
| Other income | 2,873 | 4,757 |
| Net assets released from restrictions | <u>167,990</u> | <u>171,616</u> |
| Total other revenue | <u>181,142</u> | <u>184,827</u> |
| Total unrestricted support and revenues | <u>3,991,599</u> | <u>3,904,167</u> |
| Expenses: | | |
| Program services: | | |
| Food Rescue | 331,943 | 292,346 |
| Hunger Relief | 2,941,916 | 2,719,268 |
| Job Training | 346,411 | 333,740 |
| Serv-Safe | 15,684 | 23,579 |
| Just 'Cause Catering | -0- | 4,162 |
| Supporting services: | | |
| Management and general | 273,380 | 228,240 |
| Fundraising | <u>200,986</u> | <u>179,395</u> |
| Total operating expenses | <u>4,110,320</u> | <u>3,780,730</u> |
| Increase (decrease) in unrestricted net assets | <u>(118,721)</u> | <u>123,437</u> |
| Changes in Temporarily Restricted Net Assets: | | |
| Public support and revenues | 161,641 | 265,866 |
| Net assets released from restrictions | <u>(167,990)</u> | <u>(171,616)</u> |
| Increase (decrease) in temporarily restricted net assets | <u>(6,349)</u> | <u>94,250</u> |
| Total increase (decrease) in net assets | (125,070) | 217,687 |
| Net Assets, Beginning of Year | <u>2,676,103</u> | <u>2,458,416</u> |
| Net Assets, End of Year | <u>\$ 2,551,033</u> | <u>\$ 2,676,103</u> |

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2011 (WITH COMPARATIVE TOTALS FOR 2010)

| | Program Services | | | | Management and General | Fundraising | 2011 Total | 2010 Total |
|------------------------------|------------------|------------------|-----------------|-----------|------------------------------|-------------|---------------|---------------|
| | Food Rescue | Hunger Relief | Job Training | Serv-Safe | | | | |
| Labor and Benefits: | | | | | | | | |
| Salaries | \$ 101,756 | \$ 197,526 | \$ 83,798 | \$ -0- | \$ 119,713 | \$ 95,770 | \$ 598,563 | \$ 619,826 |
| Employee benefits | 24,900 | 36,694 | 13,105 | -0- | 43,247 | 13,105 | 131,051 | 64,847 |
| Payroll taxes and expense | 7,861 | 15,260 | 6,474 | -0- | 9,248 | 7,399 | 46,242 | 45,177 |
| Total labor and benefits | 134,517 | 249,480 | 103,377 | -0- | 172,208 | 116,274 | 775,856 | 729,850 |
| Other Expenses: | | | | | | | | |
| Depreciation | 17,372 | 31,848 | 19,302 | -0- | 25,093 | 2,894 | 96,509 | 112,752 |
| Food donations to agencies | -0- | 2,471,514 | -0- | -0- | -0- | -0- | 2,471,514 | 2,274,729 |
| Food spoilage | 79,628 | 79,627 | 79,628 | -0- | -0- | -0- | 238,883 | 212,742 |
| Kitchen and general supplies | 3,170 | 17,749 | 29,158 | 13,311 | -0- | -0- | 63,388 | 71,814 |
| Insurance | 12,004 | 8,692 | 12,832 | -0- | 5,381 | 2,483 | 41,392 | 36,634 |
| Equipment and facility rent | 145 | 145 | 145 | -0- | 145 | 144 | 724 | 694 |
| Vehicle expenses | 32,029 | 20,819 | -0- | -0- | 533 | -0- | 53,381 | 39,064 |
| Postage | 938 | 938 | 1,024 | 86 | 768 | 4,777 | 8,531 | 6,618 |
| Printing | 1,876 | 2,502 | 1,876 | -0- | 2,502 | 22,514 | 31,270 | 30,007 |
| Public relations | 403 | 403 | 201 | -0- | 200 | 18,918 | 20,125 | 15,163 |
| Awards and recognition | 642 | 962 | 11,387 | -0- | 802 | 2,245 | 16,038 | 14,711 |
| Utilities | 18,629 | 18,629 | 21,291 | -0- | 3,992 | 3,992 | 66,533 | 67,864 |
| Repair and maintenance | 22,212 | 28,972 | 28,972 | -0- | 8,691 | 7,725 | 96,572 | 86,929 |
| Travel and entertainment | 188 | 251 | 1,880 | -0- | 250 | 564 | 3,133 | 4,698 |
| Seminars | 1,214 | 1,214 | 2,352 | -0- | 911 | 1,897 | 7,588 | 7,306 |
| Office supplies | 731 | 731 | 1,055 | -0- | 771 | 771 | 4,059 | 4,922 |
| Dues and subscriptions | 1,418 | 1,636 | 1,636 | 327 | 2,290 | 3,599 | 10,906 | 7,962 |
| Bank and finance charges | 930 | 930 | 930 | -0- | 992 | 2,415 | 6,197 | 5,720 |
| Professional fees | 3,919 | 4,898 | 29,389 | 1,960 | 48,002 | 9,796 | 97,964 | 50,551 |
| Miscellaneous | (22) | (24) | (24) | -0- | (151) | (22) | (243) | -0- |
| Total Expenses | \$ 331,943 | \$ 2,941,916 | \$ 346,411 | \$ 15,684 | \$ 273,380 | \$ 200,986 | \$ 4,110,320 | \$ 3,780,730 |

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2010

| | Program Services | | | | | Management and General | Fundraising | 2010 Total |
|------------------------------|-------------------|---------------------|-------------------|------------------|-------------------------|------------------------------|-------------------|---------------------|
| | Food Rescue | Hunger Relief | Job Training | Serv-Safe | Just 'Cause Catering | | | |
| Labor and Benefits: | | | | | | | | |
| Salaries | \$ 97,189 | \$ 193,634 | \$ 94,709 | \$ 2,293 | \$ 2,789 | \$ 147,952 | \$ 81,260 | \$ 619,826 |
| Employee benefits | 16,935 | 15,836 | 11,788 | 480 | 1,170 | 10,962 | 7,676 | 64,847 |
| Payroll taxes and expense | <u>7,084</u> | <u>14,113</u> | <u>6,903</u> | <u>167</u> | <u>203</u> | <u>10,784</u> | <u>5,923</u> | <u>45,177</u> |
| Total labor and benefits | 121,208 | 223,583 | 113,400 | 2,940 | 4,162 | 169,698 | 94,859 | 729,850 |
| Other Expenses: | | | | | | | | |
| Depreciation | 20,295 | 37,772 | 21,987 | -0- | -0- | 29,316 | 3,382 | 112,752 |
| Food donations to agencies | -0- | 2,274,729 | -0- | -0- | -0- | -0- | -0- | 2,274,729 |
| Food spoilage | 70,914 | 70,914 | 70,914 | -0- | -0- | -0- | -0- | 212,742 |
| Kitchen and general supplies | 1,905 | 24,391 | 27,658 | 17,482 | -0- | -0- | 378 | 71,814 |
| Insurance | 9,751 | 9,751 | 11,524 | -0- | -0- | 3,304 | 2,304 | 36,634 |
| Equipment and facility rent | 149 | 149 | 156 | -0- | -0- | 120 | 120 | 694 |
| Vehicle expenses | 20,349 | 18,568 | 111 | -0- | -0- | 36 | -0- | 39,064 |
| Postage | 632 | 392 | 525 | 36 | -0- | 597 | 4,436 | 6,618 |
| Printing | 1,219 | 3,298 | 1,605 | -0- | -0- | 1,286 | 22,599 | 30,007 |
| Public relations | -0- | -0- | -0- | -0- | -0- | -0- | 15,163 | 15,163 |
| Awards and recognition | 471 | 502 | 9,940 | -0- | -0- | 1,017 | 2,781 | 14,711 |
| Utilities | 19,674 | 17,931 | 21,456 | -0- | -0- | 3,988 | 4,815 | 67,864 |
| Repair and maintenance | 18,871 | 28,122 | 21,032 | 88 | -0- | 9,378 | 9,438 | 86,929 |
| Travel and entertainment | 620 | 745 | 869 | -0- | -0- | 1,093 | 1,371 | 4,698 |
| Seminars | 927 | 1,286 | 1,065 | -0- | -0- | 1,605 | 2,423 | 7,306 |
| Office supplies | 972 | 991 | 1,016 | -0- | -0- | 900 | 1,043 | 4,922 |
| Dues and subscriptions | 439 | 607 | 2,901 | 93 | -0- | 711 | 3,211 | 7,962 |
| Bank and finance charges | 1,015 | 986 | 978 | -0- | -0- | 884 | 1,857 | 5,720 |
| Professional fees | <u>2,935</u> | <u>4,551</u> | <u>26,603</u> | <u>2,940</u> | <u>-0-</u> | <u>4,307</u> | <u>9,215</u> | <u>50,551</u> |
| Total Expenses | <u>\$ 292,346</u> | <u>\$ 2,719,268</u> | <u>\$ 333,740</u> | <u>\$ 23,579</u> | <u>\$ 4,162</u> | <u>\$ 228,240</u> | <u>\$ 179,395</u> | <u>\$ 3,780,730</u> |

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Increase (decrease) in net assets | \$ (125,070) | \$ 217,687 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 96,509 | 112,752 |
| Gain on sale of assets | -0- | (1,933) |
| Donated investments | (5,027) | (26,488) |
| (Gain) loss on sale of investments | (75) | 146 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (20,275) | (4,745) |
| Grants receivable | 70,744 | (19,250) |
| Inventories | (9,267) | 34,393 |
| Prepaid expenses and other assets | (2,655) | 8,208 |
| Accounts payable and accrued expenses | <u>20,893</u> | <u>(38,717)</u> |
| Net cash provided by operating activities | <u>25,777</u> | <u>282,053</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (35,165) | (8,837) |
| Proceeds received from sale of investments | 5,102 | 26,342 |
| Proceeds on sale of assets | <u>-0-</u> | <u>2,500</u> |
| Net cash provided by (used in) investing activities | <u>(30,063)</u> | <u>20,005</u> |
| | | |
| Net increase (decrease) in cash and short-term investments | (4,286) | 302,058 |
| Cash and Short-Term Investments, Beginning of Year | <u>692,142</u> | <u>390,084</u> |
| | | |
| Cash and Short-Term Investments, End of Year | <u>\$ 687,856</u> | <u>\$ 692,142</u> |

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

1. SIGNIFICANT ACCOUNTING POLICIES

SECOND HELPINGS, INC. (the “Organization”) is a not-for-profit organization committed to rescuing and distributing prepared and perishable food to those in need through established hunger relief programs, and in the process, educates and trains adults for positions in the culinary field. The Organization’s program services began in April 1998.

The total pounds of food rescued by the Organization was 1,731,739 and 1,648,995 for the years ended June 30, 2011 and 2010, respectively. The Organization distributed 655,572 and 656,491 meals for the years ended June 30, 2011 and 2010, respectively.

The significant accounting policies followed by the Organization in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets, support, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of the Organization. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific projects or the passage of time.

Revenue Recognition and Accounts Receivable and Grants Receivable

Support and program revenues are reported as increases in unrestricted or temporarily restricted net assets based upon donor-imposed restrictions, if any. The Organization records donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support and program revenue. Contributions and grants are recognized when the donor makes an unconditional promise to give to the Organization either in writing or verbally.

Accounts receivable are reported at the amount invoiced, net of an allowance for doubtful accounts. The Organization, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs, collections, and current credit conditions.

Functional Expenses

Expenses are functionally classified as Program Services, Management and General, and Fundraising. Classifications are based on actual direct expenditures and cost allocations determined by estimates of time spent by Organization personnel.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

Estimates

The preparation of financial statements in accordance with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates. Significant estimates made in preparation of the Organization's financial statements including collectibility of grants receivable, depreciation methods, useful lives of property and equipment, and the allocation of functional expenses.

Cash and Short-Term Investments

Cash and short-term investments represent cash invested in checking and savings accounts, money market accounts, and other short-term investments.

The Organization values its short-term investments at fair market value for financial reporting purposes. Short-term investments consist of donated stock which is temporarily held and sold. Realized holding gains and losses on such sales are reflected as a separate component in the statements of activities as increases or decreases in unrestricted net assets along with any dividend or interest income on cash accounts, unless their use is temporarily or permanently restricted. The Organization had a short-term investment in the amount of \$5,027 and \$5,025 at June 30, 2011 and 2010, respectively.

Inventories

Inventories include purchased and donated food and supply items. Donated food and supply items are recorded at fair market value at the date of donation and food and supplies that are purchased are recorded at cost. Inventory on hand is carried at the lower of cost or market with cost being determined using the specific identification method.

Property, Equipment and Depreciation

Purchased property and equipment are recorded at cost. Items donated are recorded at fair market value on the date of donation. Costs of improvements are capitalized and costs of repairs and maintenance are expensed as incurred. Depreciation is recorded over the estimated useful lives of the assets utilizing the straight-line method. The ranges of useful lives used by the Organization are as follows:

| <u>Description</u> | <u>Ranges of Useful Lives</u> |
|---------------------------|-------------------------------|
| Building and improvements | 5-40 years |
| Furniture and equipment | 3-15 years |

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

In-Kind Contributions

The Organization receives in-kind donations and contributions from unrelated parties including various services provided free of charge or at a significant discount. Other services, including food preparation and fundraising, were performed by volunteers and are not included in the in-kind contributions.

Income Taxes

The Organization is exempt from Federal and state income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state law. Accordingly, no provision has been made for Federal or state income taxes.

Management of the Organization evaluates all significant tax positions to ensure compliance with exempt purpose of the Organization as required by GAAP, including consideration of any unrelated business income tax. As of June 30, 2011, Management does not believe the Organization has taken any tax positions that are not in compliance with the exempt purpose of the Organization. The Organization's Federal and state tax returns remain open and subject to examination beginning with the calendar tax year ended June 30, 2008.

Subsequent Events

Subsequent events have been evaluated through September 20, 2011, which is the date the financial statements were available for issuance.

2. GRANTS AND GRANTS RECEIVABLE

The Organization has recognized all material unconditional and conditional promises to give from granting authorities as grant revenue. Unconditional and conditional promises to give that are expected to be collected in future years are recorded at their net present value.

During 2011 and 2010, the Organization received grants in the amount of \$467,818 and \$746,219, respectively. The Organization considers all grants receivable to be collectible and therefore, no allowance for uncollectible grants receivable is recorded at June 30, 2011 and 2010.

| | <u>2011</u> | <u>2010</u> |
|--------------------|-------------------|-------------------|
| Less than one year | \$ 141,266 | \$ 162,010 |
| One to five years | <u>25,000</u> | <u>75,000</u> |
| | <u>\$ 166,266</u> | <u>\$ 237,010</u> |

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

3. LINE OF CREDIT

The Organization has \$300,000 of available borrowings under a line of credit with a bank until May 2012, at which time it is subject to renewal. Borrowings under this facility bear interest at the daily LIBOR rate plus 4.0%. The line of credit is secured by substantially all assets of the Organization. There were no borrowings on the line of credit for the years ended June 30, 2011 and 2010, respectively.

4. RETIREMENT PLANS

The Organization maintains a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The plan covers all employees of the Organization who meet the age and hour requirements. Employees may make contributions with an elective matching or discretionary contribution by the Organization. An employee's contribution may not exceed the maximum amount allowed as determined by the Internal Revenue Code. The Organization's plan expense was \$3,618 for the year ended June 30, 2011. There were no provisions for any matching or discretionary contributions for the year ended June 30, 2010.

5. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$167,990 and \$171,616 for the years ended June 30, 2011 and 2010, respectively. The assets were used for various programs and events.

6. CONCENTRATION OF CREDIT RISK

Cash and Short-Term Investments

The Organization maintains its cash and short-term investments in bank deposit accounts which, at times, may exceed federally insured limits. The Organization had not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and short-term investments.