



FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



# SECOND HELPINGS, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Second Helpings, Inc.  
Indianapolis, Indiana

We have audited the accompanying financial statements of Second Helpings, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2017 and 2016, and the changes in net assets, functional expenses, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Alending CPA Group*

August 24, 2017

## SECOND HELPINGS, INC.

### STATEMENTS OF FINANCIAL POSITION JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash and short-term investments	\$ 1,089,156	\$ 644,790
Cash - Legacy Fund	-0-	254,474
Investments - Legacy Fund	290,494	-0-
Accounts receivable	10,620	13,876
Grants receivable, current	118,706	106,600
Inventories	104,131	112,273
Prepaid expenses and other assets	16,193	18,506
Total current assets	<u>1,629,300</u>	<u>1,150,519</u>
<b>Property and Equipment:</b>		
Land	49,700	49,700
Building and improvements	2,421,950	2,370,675
Furniture and equipment	1,419,705	1,320,589
	<u>3,891,355</u>	<u>3,740,964</u>
Less accumulated depreciation	1,592,750	1,460,849
Property and equipment, net	2,298,605	2,280,115
<b>Long-Term Grants Receivable</b>	-0-	50,000
<b>Endowment Investments</b>	<u>7,192,247</u>	<u>-0-</u>
Total assets	<u>\$ 11,120,152</u>	<u>\$ 3,480,634</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities:</b>		
Accounts payable	\$ 43,892	\$ 49,730
Accrued expenses and other liabilities	61,742	52,953
Total liabilities	<u>105,634</u>	<u>102,683</u>
<b>Net Assets:</b>		
Unrestricted net assets:		
Unrestricted net assets	3,271,870	2,896,712
Unrestricted net assets - Board Designated	290,494	254,474
	<u>3,562,364</u>	<u>3,151,186</u>
Temporarily restricted net assets	603,154	226,765
Permanently restricted net assets	6,849,000	-0-
Total net assets	<u>11,014,518</u>	<u>3,377,951</u>
Total liabilities and net assets	<u>\$ 11,120,152</u>	<u>\$ 3,480,634</u>

See accompanying Notes to Financial Statements.

## SECOND HELPINGS, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Public support and revenues:</b>					
Individual contributions	\$ 728,353	\$ -0-	\$ -0-	\$ 728,353	\$ 713,734
Corporate and government contributions and grants	728,553	758,500	6,849,000	8,336,053	942,118
Special events	405,914	-0-	-0-	405,914	379,557
Special events - in-kind	262,173	-0-	-0-	262,173	230,776
In-kind contributions - operations	47,698	-0-	-0-	47,698	38,804
Total public support and revenues	<u>2,172,691</u>	<u>758,500</u>	<u>6,849,000</u>	<u>9,780,191</u>	<u>2,304,989</u>
<b>Program Revenue:</b>					
Rescued food	4,478,220	-0-	-0-	4,478,220	4,551,077
Fee income	74,545	-0-	-0-	74,545	63,297
Total program revenues	<u>4,552,765</u>	<u>-0-</u>	<u>-0-</u>	<u>4,552,765</u>	<u>4,614,374</u>
<b>Other Revenues:</b>					
Other income (expense), net	2,940	-0-	-0-	2,940	2,924
<b>Temporarily Restricted Net Assets Released From Restrictions</b>					
Total support and revenues	<u>7,110,507</u>	<u>(382,111)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Expenses:</b>					
Program services:					
Food Rescue	310,001	-0-	-0-	310,001	326,156
Hunger Relief	5,115,117	-0-	-0-	5,115,117	5,208,586
Job Training	665,248	-0-	-0-	665,248	515,305
Serv-Safe	11,804	-0-	-0-	11,804	14,487
Total program services	<u>6,102,170</u>	<u>-0-</u>	<u>-0-</u>	<u>6,102,170</u>	<u>6,064,534</u>
Supporting services:					
Management and general	224,229	-0-	-0-	224,229	234,564
Fundraising	473,370	-0-	-0-	473,370	424,579
Fundraising - in-kind	262,173	-0-	-0-	262,173	230,776
Total operating expenses	<u>7,061,942</u>	<u>-0-</u>	<u>-0-</u>	<u>7,061,942</u>	<u>6,954,453</u>
Change in net assets from operations	48,565	376,389	6,849,000	7,273,954	(32,166)
<b>Interest and Investment Income, Net</b>					
Total support and revenues	<u>362,613</u>	<u>-0-</u>	<u>-0-</u>	<u>362,613</u>	<u>750</u>
Change in net assets	411,178	376,389	6,849,000	7,636,567	(31,416)
<b>Net Assets, Beginning of Year</b>					
Total support and revenues	<u>3,151,186</u>	<u>226,765</u>	<u>-0-</u>	<u>3,377,951</u>	<u>3,409,367</u>
<b>Net Assets, End of Year</b>					
Total support and revenues	<u>\$ 3,562,364</u>	<u>\$ 603,154</u>	<u>\$ 6,849,000</u>	<u>\$ 11,014,518</u>	<u>\$ 3,377,951</u>

See accompanying Notes to Financial Statements.

## SECOND HELPINGS, INC.

### STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2016 <u>Total</u>
<b>Public support and revenues:</b>			
Individual contributions	\$ 713,734	\$ -0-	\$ 713,734
Corporate and government contributions and grants	700,118	242,000	942,118
Special events	379,557	-0-	379,557
Special events - in-kind	230,776	-0-	230,776
In-kind contributions - operations	38,804	-0-	38,804
Total public support and revenues	2,062,989	242,000	2,304,989
<b>Program Revenue:</b>			
Rescued food	4,551,077	-0-	4,551,077
Fee income	63,297	-0-	63,297
Total program revenues	4,614,374	-0-	4,614,374
<b>Other Revenues:</b>			
Other income (expense), net	2,924	-0-	2,924
<b>Temporarily Restricted Net Assets</b>			
<b>Released From Restrictions</b>	138,035	(138,035)	-0-
Total support and revenues	6,818,322	103,965	6,922,287
<b>Expenses:</b>			
Program services:			
Food Rescue	326,156	-0-	326,156
Hunger Relief	5,208,586	-0-	5,208,586
Job Training	515,305	-0-	515,305
Serv-Safe	14,487	-0-	14,487
Total program services	6,064,534	-0-	6,064,534
Supporting services:			
Management and general	234,564	-0-	234,564
Fundraising	424,579	-0-	424,579
Fundraising - in-kind	230,776	-0-	230,776
Total operating expenses	6,954,453	-0-	6,954,453
Change in net assets from operations	(136,131)	103,965	(32,166)
<b>Interest and Investment Income, Net</b>	750	-0-	750
Change in net assets	(135,381)	103,965	(31,416)
<b>Net Assets, Beginning of Year</b>	3,286,567	122,800	3,409,367
<b>Net Assets, End of Year</b>	\$ 3,151,186	\$ 226,765	\$ 3,377,951

See accompanying Notes to Financial Statements.

## SECOND HELPINGS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	Program Services				Management and General	Fundraising	2017 Total	2016 Total
	Food Rescue	Hunger Relief	Job Training	Serv-Safe				
<b>Labor and Benefits:</b>								
Salaries	\$ 132,398	\$ 295,198	\$ 198,106	\$ -0-	\$ 119,052	\$ 237,335	\$ 982,089	\$ 926,699
Employee benefits	34,608	65,956	50,420	-0-	28,765	46,896	226,645	213,599
Payroll taxes and expense	10,680	23,483	15,698	-0-	9,316	19,158	78,335	73,357
Total labor and benefits	177,686	384,637	264,224	-0-	157,133	303,389	1,287,069	1,213,655
<b>Other Expenses:</b>								
Food donations to agencies	-0-	3,910,620	80,093	-0-	-0-	-0-	3,990,713	4,193,531
Food spoilage and tare	-0-	470,867	24,782	-0-	-0-	-0-	495,649	365,833
Special events	-0-	-0-	-0-	-0-	-0-	332,579	332,579	301,630
Depreciation	34,096	104,830	28,473	-0-	4,878	8,114	180,391	164,289
Kitchen and general supplies	4,029	55,886	83,405	11,783	2,381	2,012	159,496	112,851
Utilities	20,083	45,350	28,939	-0-	6,372	8,139	108,883	98,435
Repair and maintenance	14,053	55,439	28,406	-0-	5,458	8,915	112,271	99,728
Professional fees	984	3,414	39,245	-0-	17,966	24,963	86,572	78,880
Insurance	12,058	20,037	9,351	-0-	8,627	5,804	55,877	47,246
Vehicle expenses	25,709	18,138	-0-	-0-	126	-0-	43,973	40,817
Dues and subscriptions	4,335	9,568	7,491	-0-	5,024	9,512	35,930	30,597
Awards and recognition	1,851	3,557	16,704	-0-	3,412	1,132	26,656	20,572
Printing	2,762	6,579	4,695	-0-	5,479	9,919	29,434	33,190
Security	8,038	18,828	12,653	-0-	2,396	2,486	44,401	93,666
Seminars	202	1,553	25,592	-0-	84	909	28,340	18,891
Public relations	1,661	1,686	7,196	-0-	1,905	2,024	14,472	18,621
Travel and entertainment	13	336	1,404	-0-	313	401	2,467	2,037
Bank and finance charges	1,174	1,162	1,177	-0-	1,292	10,595	15,400	9,518
Postage	712	1,191	737	21	590	3,652	6,903	6,590
Office supplies	445	1,075	630	-0-	704	852	3,706	2,954
Miscellaneous	-0-	-0-	40	-0-	21	-0-	61	379
Equipment and facility rent	110	364	11	-0-	68	146	699	543
Total Expenses	<u>\$ 310,001</u>	<u>\$ 5,115,117</u>	<u>\$ 665,248</u>	<u>\$ 11,804</u>	<u>\$ 224,229</u>	<u>\$ 735,543</u>	<u>\$ 7,061,942</u>	<u>\$ 6,954,453</u>

See accompanying Notes to Financial Statements.



## SECOND HELPINGS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2016

	Program Services				Management and General	Fundraising	2016 Total
	Food Rescue	Hunger Relief	Job Training	Serv-Safe			
<b>Labor and Benefits:</b>							
Salaries	\$ 146,419	\$ 303,957	\$ 139,005	\$ -0-	\$ 118,617	\$ 218,701	\$ 926,699
Employee benefits	35,501	71,027	32,892	-0-	26,444	47,735	213,599
Payroll taxes and expense	<u>11,590</u>	<u>24,061</u>	<u>11,004</u>	<u>-0-</u>	<u>9,390</u>	<u>17,312</u>	<u>73,357</u>
Total labor and benefits	193,510	399,045	182,901	-0-	154,451	283,748	1,213,655
<b>Other Expenses:</b>							
Food donations to agencies	-0-	4,115,405	78,126	-0-	-0-	-0-	4,193,531
Food spoilage and tare	-0-	347,542	18,291	-0-	-0-	-0-	365,833
Special events	-0-	-0-	532	-0-	-0-	301,098	301,630
Depreciation	28,870	103,072	23,130	-0-	2,181	7,036	164,289
Kitchen and general supplies	4,397	45,209	47,084	14,460	1,489	212	112,851
Utilities	19,084	42,583	24,191	-0-	5,648	6,929	98,435
Repair and maintenance	14,811	47,792	22,529	-0-	5,915	8,681	99,728
Professional fees	923	3,664	34,830	-0-	38,203	1,260	78,880
Insurance	10,478	18,141	7,557	-0-	7,262	3,808	47,246
Vehicle expenses	23,329	17,488	-0-	-0-	-0-	-0-	40,817
Dues and subscriptions	3,983	8,691	5,504	-0-	2,605	9,814	30,597
Awards and recognition	1,144	4,314	11,794	-0-	2,432	888	20,572
Printing	3,578	6,896	3,626	-0-	5,581	13,509	33,190
Security	17,890	41,225	25,398		4,585	4,568	93,666
Seminars	5	1,377	16,557	-0-	171	781	18,891
Public relations	1,898	1,923	10,273	-0-	1,896	2,631	18,621
Travel and entertainment	29	810	977	-0-	196	25	2,037
Bank and finance charges	894	894	894	-0-	640	6,196	9,518
Postage	730	1,309	619	27	558	3,347	6,590
Office supplies	502	994	352	-0-	627	479	2,954
Miscellaneous	8	5	68	-0-	62	236	379
Equipment and facility rent	<u>93</u>	<u>207</u>	<u>72</u>	<u>-0-</u>	<u>62</u>	<u>109</u>	<u>543</u>
Total Expenses	<u>\$ 326,156</u>	<u>\$ 5,208,586</u>	<u>\$ 515,305</u>	<u>\$ 14,487</u>	<u>\$ 234,564</u>	<u>\$ 655,355</u>	<u>\$ 6,954,453</u>

See accompanying Notes to Financial Statements.

## SECOND HELPINGS, INC.

### STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 7,636,567	\$ (31,416)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	180,391	164,291
Donated equipment	(3,511)	-0-
Net realized and unrealized gains on investments	(351,510)	-0-
Loss on disposal of property and equipment	448	-0-
Donated investments	(58,046)	(67,550)
Changes in operating assets and liabilities:		
Accounts receivable	3,256	(3,994)
Grants receivable	37,894	(111,416)
Inventories	8,142	8,287
Prepaid expenses and other assets	2,313	(8,542)
Accounts payable	(5,838)	(2,645)
Accrued expenses and other liabilities	8,789	11,910
Net cash provided by (used in) operating activities	<u>7,458,895</u>	<u>(41,075)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of property and equipment	695	-0-
Purchase of property and equipment	(196,513)	(142,898)
Proceeds from sale of investments	73,796	67,550
Purchase of investments	(7,146,981)	-0-
Net cash used in investing activities	<u>(7,269,003)</u>	<u>(75,348)</u>
Net increase (decrease) in cash and short-term investments	189,892	(116,423)
<b>Cash and Short-Term Investments, Beginning of Year</b>	<u>899,264</u>	<u>1,015,687</u>
<b>Cash and Short-Term Investments, End of Year</b>	<u>\$ 1,089,156</u>	<u>\$ 899,264</u>

See accompanying Notes to Financial Statements.

# SECOND HELPINGS, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

### 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 were 2,394,770 and 2,432,680 for the years ended June 30, 2017 and 2016, respectively. The Organization distributed 1,026,514 and 983,284 meals for the years ended June 30, 2017 and 2016, respectively.

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

#### Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). U.S. GAAP requires that the financial statements report the change in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted or temporarily restricted as follows:

#### Unrestricted Net Assets:

Net assets not subject to donor-imposed stipulations and are, therefore, available to support the general operations of the Organization.

#### Unrestricted – Board Designated:

Net assets not subject to donor-imposed stipulations that have been designated by the Board. These designated funds protect the Organization's long-term viability due to volatility in funding resources.

#### Temporarily Restricted Net Assets:

Net assets that are subject to donor-imposed restrictions related to specific projects or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

#### Permanently Restricted Net Assets:

Assets held inviolate and in perpetuity are held in permanently restricted net assets and are held for the donor-designated purposes of the endowment. The net income from these investments and all non-restricted contributions are available for release to unrestricted fund.

## **SECOND HELPINGS, INC.**

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

#### Revenue Recognition and Accounts Receivable and Grants Receivable

Support and program revenues are reported as increases in unrestricted, temporarily restricted or permanently 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. Conditional promises to give are not included as support until the conditions are substantially met.

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. There was no allowance for doubtful accounts as of June 30, 2017 and 2016.

#### 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. The Organization's occupancy related expenses are allocated to program areas based on actual direct expenditures and cost allocations based on square footage of the Organization's office building and headcount.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 collectability of grants receivable, useful lives of property and equipment, the allocation of functional expenses, and the fair value of assets measured by Level 3 inputs.

#### 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 measured by a Level 1 input in accordance with U.S. GAAP, defined as quoted prices in active markets for identical investments that can be accessed as of the measurement date.

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 short-term investments in the amount of \$5,671 and \$-0- at June 30, 2017 and 2016, respectively.

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

#### 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

#### 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 the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of June 30, 2017, 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, 2014.

#### Subsequent Events

Subsequent events have been evaluated through August 24, 2017, which is the date the financial statements were available for issuance.

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

#### 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. For years ended June 30, 2017 and 2016, the Organization received grants totaling \$8,042,721 and \$602,809, respectively for all programs.

The Organization considers all grants receivable to be collectible and, therefore, no allowance for uncollectible grants receivable is recorded at June 30, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Less than one year	\$ 118,706	\$ 106,600
One to five years	<u>-0-</u>	<u>50,000</u>
	<u>\$ 118,706</u>	<u>\$ 156,600</u>

#### 3. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

##### *Level 1*

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

##### *Level 2*

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

##### *Level 3*

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

Assets measured at fair value at June 30, 2017 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and short-term investments	\$ 1,089,156	\$ -0-	\$ -0-	\$ 1,089,156
Investments - Legacy Fund	-0-	-0-	290,494	290,494
Endowment investments	-0-	-0-	7,192,247	7,192,247
	<u>\$ 1,089,156</u>	<u>\$ -0-</u>	<u>\$ 7,482,741</u>	<u>\$ 8,571,897</u>

Assets measured at fair value at June 30, 2016 include the following:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and short-term investments	<u>\$ 899,264</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 899,264</u>

Investments reported as Level 3 assets represent the Organization's pro rata interest in the Central Indiana Community Foundation ("CICF") administered pooled investment funds, which are valued at fair value as reported by CICF and substantially all of which are valued on a market-to-market basis. CICF invests in fixed income, equities, private equity, money market and other investments.

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending June 30, 2017:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Legacy Fund</u>	<u>Endowment</u>	<u>Total</u>
	<u>Investments</u>	<u>Investments</u>	
Beginning Balance, June 30, 2016	\$ -0-	\$ -0-	\$ -0-
Additions	1,984	6,849,000	6,850,984
Transfers	270,955	-0-	270,955
Interest and dividends	1,627	23,415	25,042
Withdrawals and fees	(4,742)	(11,008)	(15,750)
Realized gains	3,728	63,727	67,455
Unrealized gains	16,942	267,113	284,055
Ending Balance, June 30, 2017	<u>\$ 290,494</u>	<u>\$ 7,192,247</u>	<u>\$ 7,482,741</u>

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

#### 4. INVESTMENTS

The Organization's investments at June 30, 2017 were all held at CICF.

Interest and investment income and its classification in the Statement of Activities and Changes in Net Assets for the year ended June 30, 2017 is as follows:

Endowment investment return:	
Interest and dividend income	\$ 23,415
Net realized gains	63,727
Net unrealized gains	267,113
Administrative expenses	<u>(11,008)</u>
	<u>343,247</u>
Investment - Legacy Fund return:	
Interest and dividend income	1,627
Net realized gains	3,728
Net unrealized gains	16,942
Administrative expenses	<u>(4,742)</u>
	17,555
Other interest income	<u>1,811</u>
	<u>19,366</u>
	<u>\$ 362,613</u>

#### 5. ENDOWMENT FUND

The Organization's donor-designated endowment consists of one fund established to support the activities of the Organization. The Organization received a \$7,500,000 grant from Lilly Endowment Inc. in the current year, of which \$6,849,000 is for the establishment of the Organization's endowment fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; and (b) the original value of subsequent gifts to the permanent endowment.



# SECOND HELPINGS, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization;
- The investment policies of the Organization.

### Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no material deficiencies as of June 30, 2017.

### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Organization while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term appreciation of the principal and generate income while ensuring the safety of the principal at all times. The Organization expects its endowment funds, over time, to provide a net real return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies primarily on the investment strategy of CICF.

### Spending Policy and How the Investment Objective Relate to Spending Policy

The Organization's spending policy for fiscal year ending June 30, 2017 was set at 2% of the original corpus amount. In establishing this policy, the Organization considered its desire to be flexible in providing support to the Organization while maintaining a balance in the investment account. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth through new gifts and investment return.

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

Endowment net assets at June 30, 2017 include the following:

Historic gift value	\$ -0-
Accumulated earnings	<u>-0-</u>
Endowment net assets, beginning of year	<u>-0-</u>
Additions to endowment	6,849,000
Interest and dividends, net of fees	12,407
Realized gains	63,727
Unrealized gains	<u>267,113</u>
Change in endowment net assets	<u>7,192,247</u>
Endowment net assets, end of year	<u>\$ 7,192,247</u>
Historic gift value	\$ 6,849,000
Accumulated earnings	<u>343,247</u>
Endowment net assets, end of year	<u>\$ 7,192,247</u>

#### 6. LINE OF CREDIT

The Organization has \$300,000 of available borrowings under a line of credit with a bank which is subject to renewal annually in the month of May. Borrowings under this facility bear interest at the bank's prime lending rate plus 1.0% (5.25% at June 30, 2017). 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, 2017 and 2016.

#### 7. 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 \$5,535 and \$5,650 for the years ended June 30, 2017 and 2016, respectively.

## SECOND HELPINGS, INC.

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017 AND 2016

#### 8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Philanthropic capacity	\$ 345,799	\$ -0-
Infrastructure investments	152,355	-0-
Job Training	94,000	213,707
Hunger Relief	<u>11,000</u>	<u>13,058</u>
	<u>\$ 603,154</u>	<u>\$ 226,765</u>

#### 9. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$382,111 and \$138,035 for the years ended June 30, 2017 and 2016, respectively. The assets were used for various programs and events.

#### 10. 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.

##### Grants Receivable

At June 30, 2017 and for the year then ended, 99% of grants receivable were from three (3) grantors and 93% of grant revenues was from one (1) grantor.

At June 30, 2016 and for the year then ended, 74% of grants receivable were from two (2) grantors and 68% of grant revenues were from four (4) grantors.