



FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



SECOND HELPINGS, INC.

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JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2018 and 2017, 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.

Alerding CPA Group

August 29, 2018

SECOND HELPINGS, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets:		
Cash and short-term investments	\$ 1,314,698	\$ 1,089,156
Investments - Legacy Fund	305,295	290,494
Accounts receivable	5,295	10,620
Grants receivable	128,200	118,706
Inventories	84,341	104,131
Prepaid expenses and other assets	18,717	16,193
Total current assets	<u>1,856,546</u>	<u>1,629,300</u>
Property and Equipment:		
Land	49,700	49,700
Building and improvements	2,455,199	2,421,950
Furniture and equipment	1,506,093	1,419,705
	4,010,992	3,891,355
Less accumulated depreciation	1,784,013	1,592,750
Property and equipment, net	<u>2,226,979</u>	<u>2,298,605</u>
Endowment Investments	<u>7,555,015</u>	<u>7,192,247</u>
Total assets	<u>\$ 11,638,540</u>	<u>\$ 11,120,152</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 48,680	\$ 43,892
Accrued expenses and other liabilities	61,687	61,742
Total liabilities	<u>110,367</u>	<u>105,634</u>
Net Assets:		
Unrestricted net assets:		
Unrestricted net assets	3,400,871	3,271,870
Unrestricted net assets - Board Designated	305,295	290,494
	<u>3,706,166</u>	<u>3,562,364</u>
Temporarily restricted net assets	973,007	603,154
Permanently restricted net assets	6,849,000	6,849,000
Total net assets	<u>11,528,173</u>	<u>11,014,518</u>
Total liabilities and net assets	<u>\$ 11,638,540</u>	<u>\$ 11,120,152</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	2018 <u>Total</u>	2017 <u>Total</u>
Public support and revenues:					
Individual contributions	\$ 935,445	\$ -0-	\$ -0-	\$ 935,445	\$ 728,353
Corporate and government contributions and grants	833,209	197,500	-0-	1,030,709	8,336,053
Special events	447,144	-0-	-0-	447,144	405,914
Special events - in-kind	226,307	-0-	-0-	226,307	262,173
In-kind contributions - operations	<u>60,330</u>	<u>-0-</u>	<u>-0-</u>	<u>60,330</u>	<u>47,698</u>
Total public support and revenues	<u>2,502,435</u>	<u>197,500</u>	<u>-0-</u>	<u>2,699,935</u>	<u>9,780,191</u>
Program Revenue:					
Rescued food	4,468,060	-0-	-0-	4,468,060	4,478,220
Fee income	<u>97,815</u>	<u>-0-</u>	<u>-0-</u>	<u>97,815</u>	<u>74,545</u>
Total program revenues	<u>4,565,875</u>	<u>-0-</u>	<u>-0-</u>	<u>4,565,875</u>	<u>4,552,765</u>
Other Revenues:					
Other income (expense), net	<u>3,237</u>	<u>-0-</u>	<u>-0-</u>	<u>3,237</u>	<u>2,940</u>
Temporarily Restricted Net Assets Released From Restrictions					
	<u>327,395</u>	<u>(327,395)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	<u>7,398,942</u>	<u>(129,895)</u>	<u>-0-</u>	<u>7,269,047</u>	<u>14,335,896</u>
Operating Expenses:					
Program services:					
Food Rescue	380,625	-0-	-0-	380,625	310,001
Hunger Relief	5,123,159	-0-	-0-	5,123,159	5,115,117
Job Training	689,866	-0-	-0-	689,866	665,248
Serv-Safe	<u>7,301</u>	<u>-0-</u>	<u>-0-</u>	<u>7,301</u>	<u>11,804</u>
Total program services	6,200,951	-0-	-0-	6,200,951	6,102,170
Supporting services:					
Management and general	256,825	-0-	-0-	256,825	224,229
Fundraising	598,005	-0-	-0-	598,005	473,370
Fundraising - in-kind	<u>226,307</u>	<u>-0-</u>	<u>-0-</u>	<u>226,307</u>	<u>262,173</u>
Total operating expenses	<u>7,282,088</u>	<u>-0-</u>	<u>-0-</u>	<u>7,282,088</u>	<u>7,061,942</u>
Change in net assets from operations	116,854	(129,895)	-0-	(13,041)	7,273,954
Interest and Investment Income, Net	<u>26,948</u>	<u>499,748</u>	<u>-0-</u>	<u>526,696</u>	<u>362,613</u>
Change in net assets	143,802	369,853	-0-	513,655	7,636,567
Net Assets, Beginning of Year	<u>3,562,364</u>	<u>603,154</u>	<u>6,849,000</u>	<u>11,014,518</u>	<u>3,377,951</u>
Net Assets, End of Year	<u>\$ 3,706,166</u>	<u>\$ 973,007</u>	<u>\$ 6,849,000</u>	<u>\$ 11,528,173</u>	<u>\$ 11,014,518</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Public support and revenues:				
Individual contributions	\$ 728,353	\$ -0-	\$ -0-	\$ 728,353
Corporate and government contributions and grants	728,553	758,500	6,849,000	8,336,053
Special events	405,914	-0-	-0-	405,914
Special events - in-kind	262,173	-0-	-0-	262,173
In-kind contributions - operations	47,698	-0-	-0-	47,698
Total public support and revenues	<u>2,172,691</u>	<u>758,500</u>	<u>6,849,000</u>	<u>9,780,191</u>
Program Revenue:				
Rescued food	4,478,220	-0-	-0-	4,478,220
Fee income	74,545	-0-	-0-	74,545
Total program revenues	<u>4,552,765</u>	<u>-0-</u>	<u>-0-</u>	<u>4,552,765</u>
Other Revenues:				
Other income (expense), net	2,940	-0-	-0-	2,940
Temporarily Restricted Net Assets				
Released From Restrictions	<u>382,111</u>	<u>(382,111)</u>	<u>-0-</u>	<u>-0-</u>
Total support and revenues	<u>7,110,507</u>	<u>376,389</u>	<u>6,849,000</u>	<u>14,335,896</u>
Operating Expenses:				
Program services:				
Food Rescue	310,001	-0-	-0-	310,001
Hunger Relief	5,115,117	-0-	-0-	5,115,117
Job Training	665,248	-0-	-0-	665,248
Serv-Safe	11,804	-0-	-0-	11,804
Total program services	<u>6,102,170</u>	<u>-0-</u>	<u>-0-</u>	<u>6,102,170</u>
Supporting services:				
Management and general	224,229	-0-	-0-	224,229
Fundraising	473,370	-0-	-0-	473,370
Fundraising - in-kind	262,173	-0-	-0-	262,173
Total operating expenses	<u>7,061,942</u>	<u>-0-</u>	<u>-0-</u>	<u>7,061,942</u>
Change in net assets from operations	48,565	376,389	6,849,000	7,273,954
Interest and Investment Income, Net	<u>362,613</u>	<u>-0-</u>	<u>-0-</u>	<u>362,613</u>
Change in net assets	411,178	376,389	6,849,000	7,636,567
Net Assets, Beginning of Year	<u>3,151,186</u>	<u>226,765</u>	<u>-0-</u>	<u>3,377,951</u>
Net Assets, End of Year	<u>\$ 3,562,364</u>	<u>\$ 603,154</u>	<u>\$ 6,849,000</u>	<u>\$ 11,014,518</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	Program Services				Management and General	Fundraising	2018 Total	2017 Total
	Food Rescue	Hunger Relief	Job Training	Serv-Safe				
Labor and Benefits:								
Salaries	\$ 169,742	\$ 292,767	\$ 218,727	\$ -0-	\$ 146,846	\$ 308,725	\$ 1,136,807	\$ 982,089
Employee benefits	39,721	60,890	51,390	-0-	37,251	61,576	250,828	226,645
Payroll taxes and expense	13,449	25,145	17,286	-0-	11,752	24,714	92,346	78,335
Total labor and benefits	222,912	378,802	287,403	-0-	195,849	395,015	1,479,981	1,287,069
Other Expenses:								
Food donations to agencies	-0-	3,874,048	75,946	-0-	-0-	-0-	3,949,994	3,990,713
Food spoilage and tare	-0-	510,964	26,893	-0-	-0-	-0-	537,857	495,649
Special events	-0-	-0-	-0-	-0-	-0-	318,346	318,346	332,579
Depreciation	38,306	110,966	29,772	-0-	4,573	7,646	191,263	180,391
Kitchen and general supplies	7,473	63,704	83,600	7,288	1,211	1,641	164,917	159,496
Utilities	21,362	45,725	27,905	-0-	5,717	8,668	109,377	108,883
Repair and maintenance	20,815	66,333	35,371	-0-	7,049	12,930	142,498	112,271
Professional fees	4,428	4,893	41,055	-0-	18,804	9,231	78,411	86,572
Insurance	14,130	18,581	9,335	-0-	7,858	6,217	56,121	55,877
Vehicle expenses	33,303	16,362	-0-	-0-	-0-	-0-	49,665	43,973
Dues and subscriptions	4,475	7,400	6,779	-0-	4,510	12,300	35,464	35,930
Awards and recognition	3,784	7,065	21,330	-0-	3,514	17,342	53,035	26,656
Printing	3,178	5,940	3,853	-0-	2,160	15,366	30,497	29,434
Security	2,914	6,827	4,372	-0-	761	966	15,840	44,401
Seminars	119	247	23,352	-0-	1,300	1,864	26,882	28,340
Public relations	1,123	1,272	8,918	-0-	1,023	1,289	13,625	14,472
Travel and entertainment	12	730	1,599	-0-	191	342	2,874	2,467
Bank and finance charges	992	991	992	-0-	992	10,132	14,099	15,400
Postage	925	1,274	953	13	691	4,137	7,993	6,903
Office supplies	355	991	417	-0-	610	805	3,178	3,706
Miscellaneous	-0-	-0-	-0-	-0-	-0-	50	50	61
Equipment and facility rent	19	44	21	-0-	12	25	121	699
Total operating expenses	<u>\$ 380,625</u>	<u>\$ 5,123,159</u>	<u>\$ 689,866</u>	<u>\$ 7,301</u>	<u>\$ 256,825</u>	<u>\$ 824,312</u>	<u>\$ 7,282,088</u>	<u>\$ 7,061,942</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017

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

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 513,655	\$ 7,636,567
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	191,263	180,391
Donated equipment	(12,375)	(3,511)
Net realized and unrealized gains on investments	(540,385)	(351,510)
Loss on disposal of property and equipment	-0-	448
Donated investments	(76,389)	(58,046)
Changes in operating assets and liabilities:		
Accounts receivable	5,325	3,256
Grants receivable	(9,494)	37,894
Inventories	19,790	8,142
Prepaid expenses and other assets	(2,524)	2,313
Accounts payable	4,788	(5,838)
Accrued expenses and other liabilities	(55)	8,789
Net cash provided by operating activities	<u>93,599</u>	<u>7,458,895</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-0-	695
Purchase of property and equipment	(107,262)	(196,513)
Proceeds from sale of investments	298,376	73,796
Purchase of investments	<u>(59,171)</u>	<u>(7,146,981)</u>
Net cash provided by (used in) investing activities	<u>131,943</u>	<u>(7,269,003)</u>
Net increase in cash and short-term investments	225,542	189,892
Cash and Short-Term Investments, Beginning of Year	<u>1,089,156</u>	<u>899,264</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,314,698</u>	<u>\$ 1,089,156</u>

See accompanying Notes to Financial Statements.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 2,389,374 and 2,394,770 for the years ended June 30, 2018 and 2017, respectively. The Organization distributed 988,895 and 1,026,514 meals for the years ended June 30, 2018 and 2017, 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 Net Assets – 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 classified and reported as permanently restricted net assets. The income and losses from these assets are available for release to unrestricted net assets.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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. Unconditional and conditional promises to give that are expected to be collected in future years are recorded at their net present value.

Accounts receivable are reported at the amount invoiced. Grants receivable consist of amounts that have been unconditionally promised or due from performance-based service contracts where the services have been performed. Grants receivable are supported by written grant agreements and are stated at the amount billed or expected to be collected. The Organization, on a periodic basis, evaluates its accounts receivable and grants 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, 2018 and 2017.

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 accounts receivable and 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 (Note 3) in accordance with U.S. GAAP.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 \$-0- and \$5,671 at June 30, 2018 and 2017, 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 and net realizable value 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, 2018, 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, 2015.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

Subsequent Events

Subsequent events have been evaluated through August 29, 2018, which is the date the financial statements were available for issuance.

2. GRANTS RECEIVABLE

Grants receivable of \$128,200 and \$118,706 at June 30, 2018 and 2017, respectively, are due from various grantors within one year.

For the years ended June 30, 2018 and 2017, the Organization received grants totaling \$716,102 and \$8,042,721, respectively, for all programs.

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, 2018 AND 2017

Assets measured at fair value at June 30, 2018 and 2017 included investments aggregating \$7,860,310 and \$7,482,741, respectively.

Investments are reported as Level 3 assets and represents the Organization's pro rata interest in the Central Indiana Community Foundation ("CICF") pooled investment funds. These investments are valued at fair value as reported by CICF. 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, 2018:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Legacy Fund</u> <u>Investments</u>	Endowment <u>Investments</u>	<u>Total</u>
Beginning Balance, June 30, 2017	\$ 290,494	\$ 7,192,247	\$ 7,482,741
Interest and dividends	2,297	56,874	59,171
Withdrawals and fees	(8,476)	(213,511)	(221,987)
Realized gains	12,351	305,771	318,122
Unrealized gains	8,629	213,634	222,263
Ending Balance, June 30, 2018	\$ 305,295	\$ 7,555,015	\$ 7,860,310

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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>Investments</u>	Endowment <u>Investments</u>	<u>Total</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	\$ 290,494	\$ 7,192,247	\$ 7,482,741

4. INVESTMENTS

The Organization's investments at June 30, 2018 and 2017 were all held at CICF.

Interest and investment income and its classification in the Statements of Activities and Changes in Net Assets for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Endowment investment return:		
Interest and dividend income	\$ 56,874	\$ 23,415
Net realized gains	305,771	63,727
Net unrealized gains	213,634	267,113
Administrative expenses	(76,531)	(11,008)
	499,748	343,247
Investment - Legacy Fund return:		
Interest and dividend income	2,297	1,627
Net realized gains	12,351	3,728
Net unrealized gains	8,629	16,942
Administrative expenses	(3,092)	(4,742)
	20,185	17,555
Other interest income	6,763	1,811
	26,948	19,366
	\$ 526,696	\$ 362,613

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 2017, of which \$6,849,000 was 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.

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, 2018 and 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.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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 Relates to Spending Policy

On June 25, 2018, the Organization adopted a spending policy based on a predetermined calculation to moderate the impact of market fluctuations on annual withdrawals within an acceptable spending range of 2 – 6%, with a target spending rate of 4%. Whenever the endowment fund balance on a valuation date is equal to or less than the historic gift value, the maximum spending from the endowment fund for the next fiscal year shall be 2% of the endowment fund balance. This maximum spending limit shall continue until the endowment fund balance on a future valuation date exceeds the historic gift value. 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 and investment return.

For the years ending June 30, 2018 and 2017, the Organization had the following endowment fund related activities:

	<u>2018</u>	<u>2017</u>
Historic gift value	\$ 6,849,000	\$ -0-
Accumulated earnings	<u>343,247</u>	<u>-0-</u>
Endowment net assets, beginning of year	<u>7,192,247</u>	<u>-0-</u>
Additions to endowment	-0-	6,849,000
Withdrawals from endowment	(136,980)	-0-
Interest and dividends, net of fees	(19,657)	12,407
Realized gains	305,771	63,727
Unrealized gains	<u>213,634</u>	<u>267,113</u>
Change in endowment net assets	<u>362,768</u>	<u>7,192,247</u>
Endowment net assets, end of year	<u>\$ 7,555,015</u>	<u>\$ 7,192,247</u>
Historic gift value	\$ 6,849,000	\$ 6,849,000
Accumulated earnings	<u>706,015</u>	<u>343,247</u>
Endowment net assets, end of year	<u>\$ 7,555,015</u>	<u>\$ 7,192,247</u>

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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% (6.0% at June 30, 2018). 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, 2018 and 2017.

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 \$6,212 and \$5,535 for the years ended June 30, 2018 and 2017, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment earnings	\$ 499,748	\$ -0-
Philanthropic capacity	257,970	345,799
Job Training	97,500	94,000
Infrastructure investments	63,459	152,355
Hunger Relief	54,330	11,000
	<u>\$ 973,007</u>	<u>\$ 603,154</u>

9. NET ASSETS RELEASED FROM RESTRICTION

Net assets released from restrictions, due to the satisfaction of donor-imposed restrictions, totaled \$327,395 and \$382,111 for the years ended June 30, 2018 and 2017, respectively. The assets were used for various programs and events.

SECOND HELPINGS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018 AND 2017

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, 2018 and for the year then ended, 92% of grants receivable were from two (2) grantors and 62% of grant revenues were from four (4) grantors.

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