

**Second Harvest Food Bank of Mahoning Valley
Report on Audit of Financial Statements
December 31, 2019 and 2018
And For The Years Then Ended**

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FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SECOND HARVEST FOOD BANK
OF THE MAHONING VALLEY

December 31, 2019 and 2018

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August 17, 2020

Board of Trustees
Second Harvest Food Bank
of the Mahoning Valley.
Youngstown, Ohio

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Bank of the Mahoning Valley (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

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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 Harvest Food Bank of the Mahoning Valley, as of December 31, 2019 and 2018, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 information 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 August 17, 2020, on our consideration of Second Harvest Food Bank of the Mahoning Valley'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 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 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 Second Harvest Food Bank of the Mahoning Valley's internal control over financial reporting and compliance.

HD Davis CPAs

HD DAVIS CPAs, LLC
Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,146,655	\$ 1,389,854
Certificate of deposit	1,602,897	872,364
Accounts receivable	21,444	26,579
Grants receivable	122,595	59,879
Inventory	1,227,171	1,173,724
Prepaid expenses	2,804	2,698
TOTAL CURRENT ASSETS	<u>4,123,566</u>	<u>3,525,098</u>
<u>FIXED ASSETS</u>		
Land	74,779	74,779
Buildings	1,534,909	1,534,909
Equipment:		
Office	101,962	101,962
Warehouse	341,813	306,355
Automotive	93,308	93,308
Land improvements	141,706	141,706
Building improvements	1,150,842	1,150,842
	<u>3,439,319</u>	<u>3,403,861</u>
Accumulated depreciation	1,505,988	1,367,466
TOTAL FIXED ASSETS	<u>1,933,331</u>	<u>2,036,395</u>
<u>INVESTMENTS</u>	370,338	322,358
TOTAL ASSETS	<u>\$ 6,427,235</u>	<u>\$ 5,883,851</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 17,197	\$ 41,242
Agency credits	13,014	2,615
Accrued expenses	34,886	27,861
TOTAL CURRENT LIABILITIES	<u>65,097</u>	<u>71,718</u>
<u>NET ASSETS</u>		
Without donor restrictions		
Board designated - operating reserves	900,000	600,000
Undesignated	5,347,117	5,060,401
TOTAL NET ASSETS	<u>6,247,117</u>	<u>5,660,401</u>
With donor restrictions	115,021	151,732
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,427,235</u>	<u>\$ 5,883,851</u>

See Independent Auditor's Report

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

For the Year Ended December 31, 2019

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Support:			
United Way	\$ 45,759	\$ 39,023	\$ 84,782
EFSP revenue	0	96,582	96,582
Contributions and grants	633,082	169,968	803,050
Donated food	16,722,133	0	16,722,133
Donated services and other	610,632	0	610,632
Fundraisers	295,543	0	295,543
Net assets released from restrictions	342,284	(342,284)	0
TOTAL SUPPORT	<u>18,649,433</u>	<u>(36,711)</u>	<u>18,612,722</u>
Revenue:			
Shared maintenance fees	499,426	0	499,426
USDA R.A. reimbursement	424,403	0	424,403
CSFP reimbursement	59,670	0	59,670
OFP reimbursement	92,378	0	92,378
Direct and holiday mailing income	277,528	0	277,528
Membership fees	5,950	0	5,950
Miscellaneous	27,628	0	27,628
Investment income	38,683	0	38,683
Net realized/unrealized loss on investments	44,296	0	44,296
TOTAL REVENUE	<u>1,469,962</u>	<u>0</u>	<u>1,469,962</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>20,119,395</u>	<u>(36,711)</u>	<u>20,082,684</u>
<u>EXPENSES</u>			
Program services	18,844,482	0	18,844,482
General and administrative	304,607	0	304,607
Fundraising	383,590	0	383,590
TOTAL EXPENSES	<u>19,532,679</u>	<u>0</u>	<u>19,532,679</u>
CHANGE IN NET ASSETS	586,716	(36,711)	550,005
<u>NET ASSETS</u>			
Beginning of year	5,660,401	151,732	5,812,133
End of year	<u>\$ 6,247,117</u>	<u>\$ 115,021</u>	<u>\$ 6,362,138</u>

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STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

For the Year Ended December 31, 2018

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Support:			
United Way	\$ 44,514	\$ 55,274	\$ 99,788
EFSP revenue	0	87,213	87,213
Contributions and grants	650,441	184,882	835,323
Donated food	15,312,589	0	15,312,589
Donated services and land	560,375	0	560,375
Fundraisers	286,641	0	286,641
Net assets released from restrictions	313,656	(313,656)	0
TOTAL SUPPORT	<u>17,168,216</u>	<u>13,713</u>	<u>17,181,929</u>
Revenue:			
Shared maintenance fees	586,598	0	586,598
USDA R.A. reimbursement	173,289	0	173,289
CSFP reimbursement	53,741	0	53,741
OFP reimbursement	80,749	0	80,749
Direct and holiday mailing income	301,064	0	301,064
Membership fees	5,950	0	5,950
Miscellaneous	20,509	0	20,509
Investment income	22,269	0	22,269
Net realized/unrealized gain on investments	(13,393)	0	(13,393)
TOTAL REVENUE	<u>1,230,776</u>	<u>-</u>	<u>1,230,776</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>18,398,992</u>	<u>13,713</u>	<u>18,412,705</u>
<u>EXPENSES</u>			
Program services	17,078,914	0	17,078,914
General and administrative	297,201	0	297,201
Fundraising	376,291	0	376,291
TOTAL EXPENSES	<u>17,752,406</u>	<u>0</u>	<u>17,752,406</u>
CHANGE IN NET ASSETS	646,586	13,713	660,299
<u>NET ASSETS</u>			
Beginning of year	5,013,815	138,019	5,151,834
End of year	<u>\$ 5,660,401</u>	<u>\$ 151,732</u>	<u>\$ 5,812,133</u>

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STATEMENTS OF FUNCTIONAL EXPENSES

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	TOTAL
Donated food - distributed	\$ 16,519,856	\$ 0	\$ 0	\$ 16,519,856
Donated food - disposals	148,830	0	0	148,830
Donated services	610,632	0	0	610,632
Fundraising	0	0	161,781	161,781
Insurance	23,096	1,511	579	25,186
Leased employees	489,360	171,082	166,040	826,482
Legal and accounting fees	0	21,663	0	21,663
Miscellaneous	0	2,021	0	2,021
Office	21,017	91,177	45,826	158,019
Organization fees	17,462	1,054	451	18,967
Program expenses	152,717	0	0	152,717
Public relations	0	0	4,149	4,149
Second Harvest product	13,821	0	0	13,821
Transportation and freight	13,319	0	0	13,319
Travel and conferences	4,979	4,979	0	9,958
Trash removal	4,077	247	105	4,429
Truck	82,178	0	0	82,178
Utilities	48,025	2,899	1,243	52,166
Warehouse and maintenance	81,252	0	0	81,252
Wholesale product	481,740	0	0	481,740
Depreciation	132,121	7,975	3,417	143,513
TOTAL	<u>\$ 18,844,482</u>	<u>\$ 304,607</u>	<u>\$ 383,590</u>	<u>\$ 19,532,679</u>
PERCENTAGE	<u>96.5%</u>	<u>1.6%</u>	<u>2.0%</u>	<u>100%</u>

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STATEMENTS OF FUNCTIONAL EXPENSES

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	TOTAL
Donated food - distributed	\$ 14,784,378	\$ 0	\$ 0	\$ 14,784,378
Donated food - disposals	200,577	0	0	200,577
Donated services	556,675	0	0	556,675
Fundraising	0	0	149,685	149,685
Insurance	22,216	1,341	575	24,132
Leased employees	431,670	158,357	165,685	755,712
Legal and accounting fees	0	22,763	0	22,763
Miscellaneous	0	322	0	322
Office	22,739	98,812	49,662	171,213
Organization fees	15,245	920	394	16,559
Program expenses	145,289	0	0	145,289
Public relations	0	0	5,204	5,204
Second Harvest product	15,209	0	0	15,209
Transportation and freight	30,124	0	0	30,124
Travel and conferences	2,817	2,817	0	5,634
Trash removal	3,326	201	86	3,613
Truck	91,553	0	0	91,553
Utilities	46,440	2,803	1,201	50,444
Warehouse and maintenance	78,398	0	0	78,398
Wholesale product	485,399	0	0	485,399
Depreciation	146,859	8,865	3,799	159,523
TOTAL	<u>\$ 17,078,914</u>	<u>\$ 297,201</u>	<u>\$ 376,291</u>	<u>\$ 17,752,406</u>
PERCENTAGE	<u>96.2%</u>	<u>1.7%</u>	<u>2.1%</u>	<u>100%</u>

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STATEMENTS OF CASH FLOWS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 550,005	\$ 660,299
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	143,513	159,523
Net realized and unrealized gains on investments	(44,296)	13,393
(Increase) decrease in assets:		
Certificate of deposit	(533)	(8,708)
Accounts receivable	5,135	16,493
Grants receivable	(62,716)	26,096
Inventory	(53,447)	(327,634)
Prepaid expenses	(106)	(86)
Increase (decrease) in liabilities:		
Accounts payable	(24,045)	18,702
Agency credits	10,399	281
Accrued liabilities	7,025	2,352
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>530,934</u>	<u>560,711</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixes assets	(40,450)	(86,365)
Proceeds from sale of investments	251,873	350,003
Purchase of investments	(255,556)	(401,836)
Purchase of certificate of deposit	(730,000)	(610,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(774,133)</u>	<u>(748,198)</u>
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(243,199)	(187,487)
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
Beginning of year	1,389,854	1,577,341
End of year	<u>\$ 1,146,655</u>	<u>\$ 1,389,854</u>

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NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Second Harvest Food Bank of the Mahoning Valley (the Food Bank) is a private non-profit organization incorporated in the State of Ohio.

The primary mission of the Food Bank is to collect donated foods and to distribute the foods to needy individuals through member organizations, such as pantries, soup kitchens, daycare centers and senior programs in the three counties of Mahoning, Trumbull and Columbiana in Northeast Ohio.

Method of Accounting

The Food Bank uses the accrual basis of accounting for financial statement and federal income tax purposes.

Cash and Cash Equivalents

The Food Bank considers highly liquid debt instruments purchased with original maturity dates of three months or less to be cash equivalents. The Organization maintains its cash in bank accounts, which at times, may exceed federally insured limits.

Accounts Receivable

Accounts receivable consists of amounts due from member organizations and are recorded net of an allowance for doubtful accounts. The potential risk is limited to the amounts recorded in the financial statements. The Food Bank considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required at December 31, 2019 and 2018. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory consists of purchased wholesale inventory items that are determined using the first-in, first-out basis and are valued at net realizable value. The Food Bank receives inventory from the Feeding America network, the U.S. Department of Agriculture, and various other donors at no cost. These inventory values are based on weight. The donated inventory is valued using the approximate average wholesale value of one pound of donated product at the national level. This value of \$1.52 per pound for 2019 and \$1.57 per pound in 2018 was subject to certain agreed-upon procedures by a major international CPA firm. The weights are recorded on a perpetual inventory that accurately reflects the movement of the goods from donors and to regulatory agencies. Purchased wholesale inventory totaled \$13,610 and \$23,781 at December 31, 2019 and 2018, respectively. Donated product inventory totaled \$1,213,561 and \$1,149,943 at December 31, 2019 and 2018, respectively.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

The Food Bank follows the practice of capitalizing all expenditures for land, buildings, and equipment at cost. Donated equipment is recorded at the estimated fair value at the date of the donation. Maintenance and repairs are charged to operations as incurred. Depreciation is provided for on a straight-line basis over the estimated useful lives of the assets.

Agency Credits:

Agency credits consist of amounts due to member agencies. The credits are generated from overpayments, grants awarded and restricted donations. The credits are used to pay the shared maintenance fee (handling cost).

Donated Services and Securities:

Donated services recognized in the financial statements consist of advertising and other professional services. The Food Bank also receives volunteer services for fundraising, clerical, office, warehouse services and repairs. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance nonfinancial assets of require specialized skills. Donated securities are recorded at fair value at the date of donation.

Contributions:

Contributions are recorded as revenue when they are received or when the donor makes an unconditional promise to give. Contributions received are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are donor restricted are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported as net assets released from donor restrictions on the statements of activities and changes in net assets.

Classification of expenses:

Certain categories of expenses require allocation to more than one program or supporting function on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and benefits, which are allocated based on time and effort. The remaining expenses, which are not directly identifiable by program or support service, are allocated based on best estimates of management.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans:

The Food Bank maintains a defined contribution profit sharing plan for its eligible leased employees. To be eligible, a leased employee must be at least 21 years of age and have completed one year of service. Contributions to the plan are made at the discretion of management, based on the results of operations from year to year. Food Bank contributions to the plan for the years ended December 31, 2019 and 2018 were \$38,530 and \$33,861, respectively.

The Food Bank also maintains an employee retirement plan under which leased employees may defer a portion of their annual compensation, pursuant to Section 403(b) of the Internal Revenue Code. The Food Bank can elect to match a percentage of the employees' contributions. No contributions to the plan have been made for the years ended December 31, 2019 and 2018. Substantially, all employees who have completed at least one year of service are eligible to participate in the plan.

Net assets without donor restrictions:

Net assets without donor restrictions include net assets available for use in general operations and are not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets earmarked for operating reserves. The Food Bank is a member of Feeding America, which is a nationwide network of food banks in the United States. As a member of the network, the Food Bank purchases food product from Feeding America. Feeding America requires the Food Bank to maintain approximately six months of expenses as a reserve in the event that it lacks sufficient funding to pay its bills. Board designated net assets for the years ended December 31, 2019 and 2018 totaled \$900,000 and \$600,000, respectively.

Net assets with donor restrictions:

Net assets with donor restrictions include net assets whose use has been restricted by donors to a specific time period and/or purpose and net assets that have been restricted by donors to be maintained by the Food Bank or held in trust by others in perpetuity.

Income Taxes

The Food Bank is a not-for-profit organization which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Food Bank assesses uncertain tax positions in accordance with FASB ASC 740 and has determined that all income tax filing positions would be sustained upon examination and, accordingly, has not recorded any reserves or related accruals for interest and penalties at December 31, 2019 for uncertain income tax positions.

The Organization files an income tax return in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Subsequent Events

Management evaluated all activity of the Organization through August 17, 2020, the date the financial statements were available to be issued and concluded that other than those listed below, no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

The current global coronavirus pandemic may significantly affect the profitability, financial condition, and results of operation of the Food Bank for the year ending December 31, 2020

As a result of the global coronavirus pandemic, the Company received a Payroll Protection Plan loan in the amount of \$135,500 on April 27, 2020.

Recently adopted new accounting pronouncement:

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. FASB issued the ASU to improve the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance, and cash flows. The Food Bank adopted the provisions of this ASU effective for the year ended December 31, 2019. These changes have been applied on a retrospective basis except for the disclosures related to liquidity and available resources. With the provisions of the ASU being applied on a retrospective basis, net assets have been presented "with donor restrictions" and "without donor restrictions" in the statements of financial position as of December 31, 2019 and 2018, and in the statements of activities and changes in net assets for the years ended December 31, 2019 and 2018.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently adopted new accounting pronouncement (continued):

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows* (Topic 230). The amendments in this ASU require that a statement of cash flows detail the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented on the statement of cash flows. This ASU will be effective for nonpublic companies for years beginning after December 15, 2019. The adoption of the new standard did not materially impact the statement of cash flows for the year ended December 31, 2019.

In June 2019, FASB issued ASU No. 2019-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The objective of this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. This ASU is effective for years beginning after December 15, 2019 for contributions received and December 15, 2019 for contributions made. The adoption of the new standard did not materially impact the amount or timing of the Company's recognition of revenue for the year ended December 31, 2019.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance in this ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the industry topics of the FASB Accounting Standards Codification (ASC). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps, (1) identify the contract(s), (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. In August 2015, ASU 2015-14 was issued to defer the effective dates of the revenue standard for one additional year. The ASU will be effective for nonpublic companies for years beginning after December 15, 2019; therefore, the Organization will be required to adopt and implement this ASU for the year ending December 31, 2019. The adoption of the new standard did not materially impact the amount or timing of the Company's recognition of revenue for the year ended December 31, 2019.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC 820 requires the association to classify its investments based on valuation methods using three levels. Level 1 inputs are based on quoted prices in active markets for identical investments. Level 2 inputs are based on significant observable market inputs, such as quoted prices for similar investments and quoted prices in inactive markets. Level 3 inputs are based on significant unobservable inputs that reflect the Association's determination of assumptions that market participants might reasonably use in valuing the investments. The valuation inputs are not necessarily an indication of risk of liquidity associated with the underlying investments.

NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are summarized as follows:

	<u>Assets at Fair Value at December 31, 2019</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Farmers Trust Company	\$ 220,241	\$ 0	\$ 0	\$ 220,241
Funds held at Community Foundation of Mahoning Valley	<u>0</u>	<u>150,097</u>	<u>0</u>	<u>150,097</u>
	<u>\$ 220,241</u>	<u>\$ 150,097</u>	<u>\$ 0</u>	<u>\$ 370,338</u>

Investments are summarized as follows:

	<u>Assets at Fair Value at December 31, 2018</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Farmers Trust Company	\$ 198,101	\$ 0	\$ 0	\$ 198,101
Funds held at Community Foundation of Mahoning Valley	<u>0</u>	<u>124,257</u>	<u>0</u>	<u>124,257</u>
	<u>\$ 198,101</u>	<u>\$ 124,257</u>	<u>\$ 0</u>	<u>\$ 322,358</u>

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE C – CONCENTRATION OF CREDIT RISK

The Food Bank maintains its cash deposits in financial institutions which, at times, may exceed federally insured limits. No amounts exceeded federally insured limits at December 31, 2019 and 2018. The Food Bank has not experienced any losses from such accounts, and management believes the Food Bank is not exposed to significant credit risk related to bank deposit accounts.

The Food Bank received approximately 41% and 24% in 2019 and 2018, respectively, of its funding from the United States Department of Agriculture (USDA) in the form of grants and donated food. During the years ended December 31, 2019 and 2018, the Food Bank received \$222,158 and \$227,030 in grants and \$7,304,895 and \$4,381,054 donated food from the USDA, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

As a member of the food bank network, the Food Bank purchases food product from Feeding America. Total purchases for the years ended December 31, 2019 and 2018 totaled \$87,083 and \$65,082, respectively.

NOTE E – OPERATING LEASES

The Food Bank leases four trucks under operating leases expiring at various times through November 2021. Minimum future lease payments under these leases are as follows:

<u>Years ending December 31</u>	<u>Amount</u>
2020	51,687
2021	47,375
TOTAL	<u>\$ 99,062</u>

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Backpack Program	\$ 0	\$ 6,984
Child Hunger	21,529	43,077
Emergency Food and Shelter Program	20,363	11,142
Mobile Pantry Program	17,593	23,985
School Pantry Program	54,434	61,544
Capital Projects	1,102	5,000
	<u>\$ 115,021</u>	<u>\$ 151,732</u>

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2019 and 2018

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions during the years ended December 31, 2019 and 2018 by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

Purpose Restriction Accomplished	<u>2019</u>	<u>2018</u>
Backpack Program	\$ 8,250	\$ 32,250
Child Hunger	23,646	27,337
Emergency Food and Shelter Program	174,386	101,171
Mobile Pantry Program	68,315	46,203
School Pantry Program	20,197	40,603
Equipment Purchases	9,367	8,326
Capital Projects	<u>38,123</u>	<u>57,766</u>
	<u>\$ 342,284</u>	<u>\$ 313,656</u>

NOTE G – LIQUIDITY AND AVAILABILTIY

The Food Bank's financial assets available within one year of the statement of financial position as of December 31, 2019 for general expenditures are as follows:

Cash and cash equivalents, net of donor-restricted amounts	\$1,146,654
Pledges receivable, net	<u>144,039</u>
	<u>\$1,290,693</u>

As part of the Food Bank's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NONFEDERAL REVENUE AND SUPPORT**

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2019

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Program or Award Amount</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Amount passed to Subrecipients</u>
MAJOR PROGRAMS				
U.S. Department of Agriculture passed through the Ohio Department of Job and Family Services: Food Distribution Cluster:				
Commodity Supplemental Food Program (Administrative Costs) CFDA Program No. 10.565	\$ 59,670	\$ 59,670	\$ 59,670	\$ 0
Commodity Supplemental Food Program (Food Commodities) CFDA Program No. 10.565	318,279	435,019	435,019	0
Emergency Food Assistance Program (Administrative Costs) CFDA Program No. 10.568	315,488	315,488	315,488	0
Emergency Food Assistance Program (Food Commodities) CFDA Program No. 10.569	6,986,616	6,891,672	6,891,672	0
Total Food Distribution Center	7,680,053	7,701,849	7,701,849	0
U.S. Department of Health and Human Services passed through the Ohio Association of Second Harvest Food Banks: Social Services Block Grant CFDA Program No. 93.667	1,961,138	1,880,138	1,880,138	0
Social Services Block Grant CFDA Program No. 93.667	2,607,662	2,632,482	2,632,482	0
NONMAJOR PROGRAMS				
U.S. Department of Homeland Security Department of Health and Human Services passed through Trumbull, Columbiana and Mahoning Counties: Emergency Food and Shelter National Board Program CFDA Program No. 97.0204	38,383	35,614	35,614	35,614
Emergency Food and Shelter National Board Program CFDA Program No. 97.0204	60,837	57,817	57,817	57,817
Emergency Food and Shelter National Board Program CFDA Program No. 97.0204	1,000	0	0	0
TOTAL FEDERAL AWARDS	\$ 12,349,053	12,307,900	\$ 12,307,900	\$ 93,431
NONFEDERAL REVENUE				
TOTAL REVENUE AND SUPPORT PER FINANCIAL STATEMENTS		7,774,784		
		\$ 20,082,684		

See accompanying notes to schedule of expenditures of federal awards and nonfederal revenue and support

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NONFEDERAL REVENUE AND SUPPORT

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year ended December 31, 2019

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards and nonfederal revenue and support (Schedule) includes the federal award activity of the Second Harvest Food Bank of the Mahoning Valley (Food Bank) under programs of the federal government for the year ended December 31, 2019. The information in the 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). Because the Schedule presents only a selected portion of the operations of the Food Bank, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Food Bank.

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.

NOTE C - INDIRECT COST RATE

The Food Bank has elected not to use the ten percent de minimis cost rate allowable under the Uniform Guidance.

NOTE D - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the approximate average wholesale value of one pound of donated product at the national level for the commodities received and disbursed.



August 17, 2020

Board of Trustees
Second Harvest Food Bank
of the Mahoning Valley
Youngstown, Ohio

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

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 the Mahoning Valley (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 August 17, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Second Harvest Food Bank of the Mahoning Valley's internal control over financial reporting (internal control) to determine the 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 the Mahoning Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of the Mahoning Valley'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of the Mahoning Valley'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 determination of financial statement amounts. 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.

HD Davis CPAs

HD DAVIS CPAs, LLC

Certified Public Accountants

Liberty, Ohio



August 17, 2020

Board of Trustees
Second Harvest Food Bank
of the Mahoning Valley
Youngstown, Ohio

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of the Mahoning Valley's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Second Harvest Food Bank of the Mahoning Valley's major federal programs for the year ended December 31, 2019. Second Harvest Food Bank of the Mahoning Valley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest Food Bank of the Mahoning Valley's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Second Harvest Food Bank of the Mahoning Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest Food Bank of the Mahoning Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of the Mahoning Valley 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, 2019.

Report on Internal Control Over Compliance

Management of Second Harvest Food Bank of the Mahoning Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Second Harvest Food Bank of the Mahoning Valley's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of the Mahoning Valley's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

HD Davis CPAs

HD DAVIS CPAs, LLC

Certified Public Accountants

Liberty, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2019

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any other significant deficiencies in internal control reported for major federal programs?	No
Types of Major Programs' Compliance Opinion	Unmodified
Are there reportable findings under Uniform Guidance?	No
Major Programs (list):	Food Distribution Cluster: Commodity Supplemental Food Program/Emergency Food Assistance Costs/Food Commodities, CFDA Program No. 10.565/10.568/10.569
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2019

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR MAJOR
FEDERAL AWARD PROGRAMS

None