

**Second Harvest Food Bank of Mahoning Valley
Report on Audit of Financial Statements
December 31, 2021 and 2020
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, 2021 and 2020

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September 30, 2022

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

Independent Auditor's Report

Report on the Financial Statements

Opinion

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, 2021 and 2020, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Second Harvest Food Bank of the Mahoning Valley as of December 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Second Harvest Food Bank of the Mahoning Valley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest Food Bank of the Mahoning Valley's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of the Mahoning Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest Food Bank of the Mahoning Valley's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our 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 September 30, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
Youngstown, OH

STATEMENTS OF FINANCIAL POSITION

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

<u>ASSETS</u>		<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		\$ 6,568,569	\$ 6,966,394
Certificate of deposit		0	578,849
Accounts receivable		3,083	23,229
Grants receivable		308,714	221,174
Inventory		1,871,236	1,051,138
Prepaid expenses		1,043	11,946
TOTAL CURRENT ASSETS		<u>8,752,645</u>	<u>8,852,730</u>
 <u>FIXED ASSETS</u>			
Land		74,779	74,779
Buildings		1,534,909	1,534,909
Equipment:			
Office		107,488	101,962
Warehouse		412,487	399,991
Automotive		649,137	649,137
Land improvements		153,506	153,506
Building improvements		1,299,301	1,243,654
		<u>4,231,607</u>	<u>4,157,938</u>
Accumulated depreciation		1,919,537	1,675,820
TOTAL FIXED ASSETS		<u>2,312,070</u>	<u>2,482,118</u>
 <u>INVESTMENTS - NOTE B</u>		 6,203,576	 1,944,643
 <u>OTHER ASSETS</u>			
Construction in progress		154,413	0
TOTAL ASSETS		<u>\$ 17,422,704</u>	<u>\$ 13,279,491</u>
 <u>LIABILITIES AND NET ASSETS</u>			
 <u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 4,403	\$ 25,082
Agency credits		19,535	12,815
Accrued expenses		66,851	121,531
TOTAL CURRENT LIABILITIES		<u>90,789</u>	<u>159,428</u>
 <u>NET ASSETS</u>			
Without donor restrictions			
Board designated - operating reserves		900,000	900,000
Undesignated		16,150,013	12,038,982
TOTAL NET ASSETS		<u>17,050,013</u>	<u>12,938,982</u>
With donor restrictions		281,902	181,081
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 17,422,704</u>	<u>\$ 13,279,491</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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Support:			
United Way	\$ 60,153	\$ 29,674	\$ 89,827
EFSP revenue	0	177,571	177,571
Contributions and grants	2,178,112	297,825	2,475,937
Donated food	10,285,365	0	10,285,365
Donated services and other	651,558	0	651,558
Fundraisers	276,449	0	276,449
Net assets released from restrictions	404,249	(404,249)	0
TOTAL SUPPORT	<u>13,855,886</u>	<u>100,821</u>	<u>13,956,707</u>
Revenue:			
Shared maintenance fees	411,792	0	411,792
USDA R.A. reimbursement	762,552	0	762,552
CSFP reimbursement	74,184	0	74,184
OFF reimbursement	122,375	0	122,375
CARES reimbursement	685,846	0	685,846
Direct and holiday mailing income	513,691	0	513,691
Government commodities	6,858,313	0	6,858,313
Membership fees	5,900	0	5,900
Miscellaneous	24,682	0	24,682
Investment income	78,791	0	78,791
Net realized/unrealized gain on investments	174,714	0	174,714
TOTAL REVENUE	<u>9,712,840</u>	<u>0</u>	<u>9,712,840</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>23,568,726</u>	<u>100,821</u>	<u>23,669,547</u>
<u>EXPENSES</u>			
Program services	18,749,649	0	18,749,649
General and administrative	313,516	0	313,516
Fundraising	394,531	0	394,531
TOTAL EXPENSES	<u>19,457,695</u>	<u>0</u>	<u>19,457,695</u>
CHANGE IN NET ASSETS	4,111,031	100,821	4,211,852
<u>NET ASSETS</u>			
Beginning of year	12,938,982	181,081	13,120,063
End of year	<u>\$ 17,050,013</u>	<u>\$ 281,902</u>	<u>\$ 17,331,915</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, 2020

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Support:			
United Way	\$ 83,010	\$ 28,832	\$ 111,842
EFSP revenue	0	159,837	159,837
Contributions and grants	5,606,709	1,050,275	6,656,984
Donated food	21,857,562	0	21,857,562
Donated services and land	598,978	0	598,978
Fundraisers	379,928	0	379,928
Net assets released from restrictions	1,172,884	(1,172,884)	0
TOTAL SUPPORT	<u>29,699,071</u>	<u>66,060</u>	<u>29,765,131</u>
Revenue:			
Shared maintenance fees	537,563	0	537,563
USDA R.A. reimbursement	364,184	0	364,184
CSFP reimbursement	55,930	0	55,930
OFFP reimbursement	132,269	0	132,269
CARES & FFCRA reimbursement	538,203	0	538,203
Direct and holiday mailing income	679,335	0	679,335
Membership fees	6,200	0	6,200
Miscellaneous	33,812	0	33,812
PPP forgiveness income	135,500	0	135,500
Investment income	45,821	0	45,821
Net realized/unrealized gain on investments	65,798	0	65,798
TOTAL REVENUE	<u>2,594,615</u>	<u>0</u>	<u>2,594,615</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>32,293,686</u>	<u>66,060</u>	<u>32,359,746</u>
<u>EXPENSES</u>			
Program services	24,807,736	0	24,807,736
General and administrative	318,259	0	318,259
Fundraising	475,825	0	475,825
TOTAL EXPENSES	<u>25,601,820</u>	<u>0</u>	<u>25,601,820</u>
CHANGE IN NET ASSETS	6,691,866	66,060	6,757,926
<u>NET ASSETS</u>			
Beginning of year	6,247,116	115,021	6,362,137
End of year	<u>\$ 12,938,982</u>	<u>\$ 181,081</u>	<u>\$ 13,120,063</u>

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STATEMENTS OF FUNCTIONAL EXPENSES

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	TOTAL
Donated food - distributed	\$ 10,177,576	\$ 0	\$ 0	\$ 10,177,576
Donated food - disposals	118,812	0	0	118,812
Donated services	651,558	0	0	651,558
Fundraising	0	0	117,463	117,463
Government commodities distributed	5,962,353	0	0	5,962,353
Grant expense	202,291	0	0	202,291
Insurance	36,002	2,356	903	39,261
Leased employees	551,124	174,128	213,950	939,203
Legal and accounting fees	0	21,513	0	21,513
Miscellaneous	0	438	0	438
Office	22,293	96,716	48,609	167,618
Organization fees	13,248	800	342	14,390
Program expenses	124,218	0	0	124,218
Public relations	0	0	5,813	5,813
Second Harvest product	7,838	0	0	7,838
Transportation and freight	5,430	0	0	5,430
Travel and conferences	176	176	0	352
Trash removal	8,085	490	208	8,783
Truck	19,062	0	0	19,062
Utilities	55,605	3,356	1,439	60,400
Warehouse and maintenance	106,878	0	0	106,878
Wholesale product	462,727	0	0	462,727
Depreciation	224,371	13,543	5,803	243,718
TOTAL	<u>\$ 18,749,649</u>	<u>\$ 313,516</u>	<u>\$ 394,531</u>	<u>\$ 19,457,695</u>
PERCENTAGE	<u>96.4%</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, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>TOTAL</u>
Donated food - distributed	\$ 21,927,461	\$ 0	\$ 0	\$ 21,927,461
Donated food - disposals	106,134	0	0	106,134
Donated services	598,978	0	0	598,978
Fundraising	0	0	180,636	180,636
Insurance	28,396	1,858	712	30,966
Leased employees	527,387	166,628	204,735	898,750
Legal and accounting fees	0	20,865	0	20,865
Miscellaneous	0	10,870	0	10,870
Office	23,786	103,190	51,863	178,839
Organization fees	9,961	601	257	10,820
Program expenses	149,991	0	0	149,991
Public relations	0	0	31,952	31,952
Second Harvest product	11,178	0	0	11,178
Transportation and freight	7,700	0	0	7,700
Travel and conferences	1,014	1,014	0	2,028
Trash removal	5,112	310	132	5,553
Truck	73,618	0	0	73,618
Utilities	57,733	3,485	1,494	62,712
Warehouse and maintenance	145,793	0	0	145,793
Wholesale product	977,144	0	0	977,144
Depreciation	156,351	9,438	4,044	169,832
TOTAL	\$ 24,807,736	\$ 318,259	\$ 475,825	\$ 25,601,820
PERCENTAGE	96.9%	1.2%	1.9%	100%

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STATEMENTS OF CASH FLOWS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 4,211,852	\$ 6,757,926
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	243,718	169,832
Net realized and unrealized gains on investments	(174,714)	(65,798)
PPP forgiveness income	0	(135,500)
(Increase) decrease in assets:		
Certificate of deposit	578,849	288,293
Accounts receivable	20,146	(1,785)
Grants receivable	(87,540)	(98,579)
Inventory	(820,098)	176,033
Prepaid expenses	10,903	(9,142)
Increase (decrease) in liabilities:		
Accounts payable	(20,679)	7,884
Agency credits	6,720	(199)
Accrued liabilities	(54,680)	86,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,914,477</u>	<u>7,175,610</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixes assets	(228,082)	(718,620)
Proceeds from sale of investments	82,368	275,675
Purchase of investments	(4,166,588)	(685,426)
Purchase (sale) of certificate of deposit	0	(363,000)
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,312,302)</u>	<u>(1,491,371)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
PPP loan	0	135,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>0</u>	<u>135,500</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(397,825)	5,819,739
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</u>		
Beginning of year	6,966,394	1,146,655
End of year	<u>\$ 6,568,569</u>	<u>\$ 6,966,394</u>

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NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

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 after school 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 Food Bank 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, 2021 and 2020. 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 \$1.79 per pound for 2021 and \$1.49 per pound in 2020 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 \$107,311 and \$13,610 at December 31, 2021 and 2020, respectively. Donated product inventory totaled \$431,997 and \$943,827 at December 31, 2021 and 2020, respectively.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

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 or 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, 2021 and 2020

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 three months 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, 2021 and 2020 were \$52,803 and \$50,655, 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, 2021 and 2020. Substantially, all employees who have completed at least three months 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 Trustees 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 totaled \$900,000 for the years ended December 31, 2021 and 2020.

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, 2021 for uncertain income tax positions.

The Food Bank files an income tax return in the U.S. federal jurisdiction. With few exceptions, the Food Bank is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2018.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

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 Food Bank through September 30, 2022, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC 820 requires the Food Bank 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 Food Bank'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.

Investments are summarized as follows:

	<u>Assets at Fair Value at December 31, 2021</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Mutual Funds	\$ 5,499,284	\$ 0	\$ 0	\$ 5,499,284
Farmers Trust Company	499,512	0	0	499,512
Funds held at Community Foundation of Mahoning Valley	<u>0</u>	<u>204,780</u>	<u>0</u>	<u>204,780</u>
	<u>\$5,998,796</u>	<u>\$ 204,780</u>	<u>\$ 0</u>	<u>\$ 6,203,576</u>

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

NOTE B – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are summarized as follows:

	<u>Assets at Fair Value at December 31, 2020</u>			
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments:				
Mutual Funds	\$ 1,326,931	\$ 0	\$ 0	\$ 1,326,931
Farmers Trust Company	444,353	0	0	444,353
Funds held at Community Foundation of Mahoning Valley	0	173,359	0	173,359
	<u>\$ 1,771,284</u>	<u>\$ 173,359</u>	<u>\$ 0</u>	<u>\$ 1,944,643</u>

NOTE C – CONCENTRATION OF CREDIT RISK

The Food Bank maintains its cash deposits in financial institutions which, at times, may exceed federally insured limits. At December 31, 2021 and 2020, the Food Bank had \$4,093,086 and \$4,453,655 in excess of the federally insured limit, respectively. 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 38% and 42% in 2021 and 2020, 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, 2021 and 2020, the Food Bank received \$836,736 and \$263,176 in grants and \$7,110,687 and \$9,859,232 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, 2021 and 2020 totaled \$196,577 and \$198,080, respectively.

NOTE E – OPERATING LEASES

The Food Bank leases four trucks under operating leases expiring at various times through November 2021. In March 2021, the lessor donated the future lease payments under these leases totaling \$47,375 as in kind.

NOTES TO FINANCIAL STATEMENTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

December 31, 2021 and 2020

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Child Hunger	\$ 34,922	\$ 17,048
Emergency Food and Shelter Program	168,890	84,895
Mobile Pantry Program	25,564	31,673
School Pantry Program	52,526	47,465
	<u>\$ 281,902</u>	<u>\$ 181,081</u>

Net assets were released from donor restrictions during the years ended December 31, 2021 and 2020 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>2021</u>	<u>2020</u>
Child Hunger	\$ 28,026	\$ 40,080
Emergency Food and Shelter Program	323,248	1,064,958
Mobile Pantry Program	36,108	32,322
School Pantry Program	16,867	34,422
Capital Projects	0	1,102
	<u>\$ 404,249</u>	<u>\$1,172,884</u>

NOTE G – LIQUIDITY AND AVAILABILITY

The Food Bank's financial assets available within one year of the statement of financial position as of December 31, 2021 for general expenditures are as follows:

Cash and cash equivalents, net of donor-restricted amounts	\$6,568,569
Pledges receivable, net	<u>311,797</u>
	<u>\$6,880,366</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, 2021

<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>
<u>MAJOR PROGRAMS</u>				
U.S. Department of Agriculture passed through the Ohio Department of Job and Family Services:				
Food Distribution Cluster:				
Commodity Supplemental Food Program (Administrative Costs)	\$ 74,184	\$ 74,184	\$ 74,184	\$ 0
CFDA Program No. 10.565				
Commodity Supplemental Food Program (Food Commodities)	410,861	388,961	388,961	0
CFDA Program No. 10.565				
Emergency Food Assistance Program (Administrative Costs)	762,552	762,552	762,552	0
CFDA Program No. 10.568				
Emergency Food Assistance Program (Food Commodities)	6,374,486	5,548,269	5,548,269	0
CFDA Program No. 10.569				
Total Food Distribution Center	<u>7,622,083</u>	<u>6,773,966</u>	<u>6,773,966</u>	<u>0</u>
U.S. Department of Health and Human Services passed through the Ohio Association of Second Harvest Food Banks:				
Social Services Block Grant	1,973,487	1,856,086	1,856,086	0
CFDA Program No. 93.667				
Social Services Block Grant	2,842,469	2,740,789	2,740,789	0
CFDA Program No. 93.667				
<u>NONMAJOR PROGRAMS</u>				
U.S. Department of Agriculture passed through the Ohio Department of Job and Family Services:				
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	76,125	49,019	49,019	49,019
CFDA Program No. 97.0204				
Emergency Food and Shelter National Board Program	137,444	91,160	91,160	91,160
CFDA Program No. 97.0204				
Emergency Food and Shelter National Board Program	9,500	5,500	5,500	5,500
CFDA Program No. 97.0204				
TOTAL FEDERAL AWARDS	<u>\$ 12,661,108</u>	<u>11,516,520</u>	<u>\$ 11,516,520</u>	<u>\$ 5,500</u>
<u>NONFEDERAL REVENUE</u>		<u>12,153,027</u>		<u>145,679</u>
TOTAL REVENUE AND SUPPORT PER FINANCIAL STATEMENTS		<u>\$ 23,669,547</u>		

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, 2021

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, 2021. 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.



September 30, 2022

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 the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Second Harvest Food Bank of the Mahoning Valley (a nonprofit organization), as of December 31, 2021, and the related notes to the financial statements, which collectively comprise Second Harvest Food Bank of the Mahoning Valley's basic financial statements, and have issued our report thereon dated September 30, 2022.

Report on 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) as a basis for designing 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 or significant deficiency may exist that have not been identified.

Report on 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HD Davis CPAs

HD DAVIS CPAs, LLC
Certified Public Accountants
Youngstown, Ohio



September 30, 2022

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

Opinion on Each Major Federal Program

We have audited Second Harvest Food Bank of the Mahoning Valley's compliance with the types of compliance requirements identified as subject to audit *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, 2021. 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.

In our opinion, Second Harvest Food Bank of the Mahoning Valley complied, in all material aspects, 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, 2021.

Basis of Opinion on Each Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Second Harvest Food Bank of the Mahoning Valley and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Second Harvest Food Bank of the Mahoning Valley's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws,

statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Second Harvest Food Bank of the Mahoning Valley's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Second Harvest Food Bank of the Mahoning Valley's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Second Harvest Food Bank of the Mahoning Valley's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Second Harvest Food Bank of the Mahoning Valley's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Second Harvest Food Bank of the Mahoning Valley's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of the Mahoning Valley's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HD Davis CPAs

HD DAVIS CPAs, LLC
Certified Public Accountants
Youngstown, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Year Ended December 31, 2021

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, 2021

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