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SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

AUDIT OF FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

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REPORT OF INDEPENDENT AUDITORS

BOARD OF TRUSTEES
SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

Opinion

We have audited the accompanying 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, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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, 2022, and the changes in its net assets and its cash flows for the year 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.

Prior Period Financial Statements

The financial statements of Second Harvest Food Bank of the Mahoning Valley as of December 31, 2021 were audited by other auditors whose report dated September 30, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 schedule of expenditures of federal awards 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 21, 2023, 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 the effectiveness of Second Harvest Food Bank of the Mahoning Valley's 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.



Canfield, Ohio
September 21, 2023

Second Harvest Food Bank of the Mahoning Valley
STATEMENTS OF FINANCIAL POSITION

ASSETS	December 31,	
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,680,287	\$ 6,902,351
Short-term investments	2,608,701	-
Accounts receivable	22,824	3,083
Grants receivable	139,588	308,714
Inventory	1,037,707	1,871,236
Prepaid expenses	-	1,043
TOTAL CURRENT ASSETS	6,489,107	9,086,427
PROPERTY AND EQUIPMENT		
Land	74,779	74,779
Buildings	1,534,909	1,534,909
Equipment:		
Office	135,359	107,488
Warehouse	504,807	405,033
Automotive	717,346	649,137
Land improvements	153,506	153,506
Building improvements	1,520,818	1,306,755
Total property and equipment	<u>4,641,524</u>	<u>4,231,607</u>
Less accumulated depreciation	2,126,708	1,919,537
Construction in progress	-	154,413
NET PROPERTY AND EQUIPMENT	2,514,816	2,466,483
INVESTMENTS	7,714,043	5,869,794
TOTAL ASSETS	\$ 16,717,966	\$ 17,422,704

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

December 31,

2022 **2021****CURRENT LIABILITIES**

Accounts payable	\$	-	\$	4,403
Agency credits		13,033		19,535
Accrued expenses		67,184		66,851
Emergency food & shelter program payable		38,809		-

TOTAL CURRENT LIABILITIES**119,026****90,789****NET ASSETS**

Without donor restrictions

Board designated -- operating reserves

Undesignated

900,000

900,000

15,236,529

16,150,013

16,136,529

17,050,013

With donor restrictions

462,411

281,902

TOTAL NET ASSETS**16,598,940****17,331,915****TOTAL LIABILITIES AND NET ASSETS****\$ 16,717,966****\$ 17,422,704**

Second Harvest Food Bank of the Marioning Valley
STATEMENTS OF ACTIVITIES

Years ended December 31,

	2022		2021		Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
REVENUES, GAINS, AND OTHER SUPPORT					
Support					
United Way					
EFSP revenue	\$ 81,840	\$ 69,698	\$ 60,153	\$ 29,674	\$ 88,827
Contributions and grants	-	1,250	-	177,571	177,571
Donated food	1,643,893	258,237	2,178,112	297,825	2,475,937
Donated services	10,150,598	-	10,285,365	-	10,285,365
Fundraisers	635,020	-	651,558	-	651,558
Net assets released from restrictions	257,555	-	276,449	-	276,449
Total support	148,676	(148,676)	404,249	(404,249)	-
Revenue	12,917,582	180,509	13,855,886	100,821	13,956,707
Shared maintenance fees	740,887	-	411,792	-	411,792
USDA R.A. reimbursement	234,943	-	762,552	-	762,552
OFPP reimbursement	181,193	-	74,184	-	74,184
CSFP reimbursement	38,814	-	122,375	-	122,375
CARES reimbursement	952	-	685,846	-	685,846
Direct and holiday mailing income	406,506	-	513,691	-	513,691
Membership fees	4,950	-	5,900	-	5,900
Delivery fees	8,320	-	17,560	-	17,560
Miscellaneous	2,038	-	7,122	-	7,122
Investment income	240,137	-	78,791	-	78,791
Gain on disposal of assets	14,200	-	-	-	-
Net realized/unrealized (loss) gain on investments	(588,819)	-	174,714	-	174,714
Government commodities	3,794,853	-	6,858,313	-	6,858,313
Total revenue	5,078,973	-	9,712,840	-	9,712,840
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	17,996,555	180,509	23,568,726	100,821	23,669,547
EXPENSES					
Program services	18,055,717	-	18,728,697	-	18,728,697
General and administrative	381,748	-	323,931	-	323,931
Fundraising	472,574	-	405,067	-	405,067
TOTAL EXPENSES	18,910,039	-	19,457,695	-	19,457,695
CHANGE IN NET ASSETS	(913,484)	180,509	4,111,031	100,821	4,211,852
NET ASSETS AT BEGINNING OF YEAR	17,050,013	281,902	12,938,982	181,081	13,120,063
NET ASSETS AT END OF YEAR	\$ 16,136,529	\$ 462,411	\$ 17,050,013	\$ 281,902	\$ 17,331,915

The accompanying notes are an integral part of these financial statements.

Second Harvest Food Bank of the Mahoning Valley
STATEMENTS OF FUNCTIONAL EXPENSES

	Years ended December 31,		2022		2021	
	Program Services		Supporting Services		Supporting Services	
	Program Services	General and Administrative	General and Administrative	Fundraising Events	General and Administrative	Fundraising Events
						Total
COMPENSATION AND RELATED EXPENSES						
Salaries and wages - leased employees	\$ 489,927	\$ 150,239	\$ 185,322	\$ 825,488	\$ 453,796	\$ 171,655
Contracted employees	2,240	687	848	3,775	2,669	788
Payroll taxes	47,677	14,620	18,035	80,332	36,645	11,237
Employee benefits	84,406	25,883	31,928	142,217	66,976	20,539
TOTAL COMPENSATION AND RELATED EXPENSES	624,250	191,429	236,133	1,051,812	559,986	211,822
Banking services fees	48,567	3,167	1,056	52,790	26,162	1,706
Conference and meetings	9,665	630	211	10,506	2,169	141
Depreciation	248,555	13,582	9,508	271,645	223,002	12,186
Donated food - disposals	108,361	-	-	108,361	118,812	-
Donated food - distributed	9,867,897	-	-	9,867,897	10,177,576	-
Donated services	4,825,564	-	-	4,825,564	5,962,353	-
Equipment and maintenance	100,819	6,576	2,191	109,585	37,032	2,415
Food acquisition expense	781,607	50,974	16,982	849,573	381,758	24,897
Food bank fees	21,361	1,393	464	23,218	13,239	863
Fundraising expenses	-	-	164,392	164,392	-	-
Insurance	32,978	2,151	717	35,846	36,126	2,356
Occupancy	119,096	7,767	2,590	129,453	96,071	6,265
Office expense	4,879	21,767	10,883	37,529	6,825	30,449
Postage and shipping	16,740	1,092	363	18,195	12,926	843
Printing and publication	575,104	37,507	12,502	625,113	540,324	35,239
Professional services	80,004	5,218	1,739	86,961	34,083	2,223
Programs and miscellaneous expenses	454,752	29,658	9,888	494,298	367,632	23,976
Transportation	65,099	4,246	1,415	70,760	99,669	6,500
Travel	174	11	4	189	-	-
Warehouse supplies	70,245	4,581	1,526	76,352	32,952	2,149
TOTAL EXPENSES	\$ 18,055,717	\$ 381,748	\$ 472,574	\$ 18,910,039	\$ 18,728,667	\$ 323,931
						\$ 405,067
						\$ 19,457,665

The accompanying notes are an integral part of these financial statements.

Second Harvest Food Bank of the Mahoning Valley
STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (732,975)	\$ 4,211,852
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	271,645	243,718
Realized and unrealized loss (gain) on investments	588,819	(174,714)
(Gain) on disposal of assets	(14,200)	-
(Increase) decrease in assets:		
Accounts receivable	(19,741)	20,146
Grants receivable	169,126	(87,540)
Prepaid expenses	1,043	10,903
Inventory	833,529	(820,098)
Increase (decrease) in liabilities:		
Accounts payable	(4,403)	(20,679)
Agency credits	(6,502)	6,720
Accrued liabilities	333	(54,680)
Emergency food & shelter program payable	38,809	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,125,483	3,335,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	(2,608,701)	578,849
Purchase of property and equipment	(319,979)	(228,082)
Proceeds from sale of property and equipment	14,200	-
Proceeds from sale of investments	863,136	82,368
Purchase of investments	(3,296,203)	(3,832,806)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(5,347,547)	(3,399,671)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,222,064)	(64,043)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,902,351	6,966,394
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,680,287	\$ 6,902,351

The accompanying notes are an integral part of these financial statements.

Second Harvest Food Bank of the Mahoning Valley

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE A - NATURE OF OPERATIONS

The Second Harvest Food Bank of the Mahoning Valley (the "Food Bank") is a private non-profit Food Bank 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 Food Banks, such as pantries, soup kitchens, day-care centers, and senior programs in the three counties of Mahoning, Trumbull, and Columbiana in Northeast Ohio.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash equivalents consist of temporary bank deposits, certificates of deposit, and money market instruments with a maturity of three months or less as of the purchase date.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains with donor restriction are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of certificates of deposit (CD's) and treasury bills with an original maturity of three months to a year, as of the purchase date.

Accounts Receivable

Accounts receivable consist of amounts due from member organizations and are recorded net of an allowance for doubtful accounts. The Food Bank considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required at December 31, 2022 and 2021. If amounts become uncollectible, they will be charged to operations when that determination is made.

Balances of accounts receivable are as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Accounts receivable	\$ 22,824	\$ 3,083	\$ 23,229

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. Contributions that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. The Food Bank uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of the financial statement date, management believes all accounts are collectible.

Grants Receivable

Grants receivable consist of grants awarded by federal and state agencies, as well as from local organizations, and are recorded net of an allowance for doubtful accounts. The excess of reimbursable expenditures over cash receipts is included in grants receivable. The Food Bank considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required at December 31, 2022 and 2021. If amounts become uncollectible, they will be charged to operations when that determination is made.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of purchased wholesale inventory items that are determined on a 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 \$1.92 per pound for 2022 and \$1.70 per pound in 2021 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. Donated product inventory totaled \$637,918 and \$431,997 at December 31, 2022 and 2021, respectively.

Property and Equipment

The Food Bank follows the practice of capitalizing all purchases for land, buildings, and equipment at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as without donor restriction contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service. Property and equipment are depreciated over their estimated useful lives using primarily the straight-line method.

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. Donated securities are recorded at fair market value at the date of donation.

Revenue Recognition

Donated Food

A significant amount of revenue for the Food Bank is derived from donated food received from the Ohio Association of Foodbanks. These recognized values are based on weight of product received. The donated product is valued using the approximate average wholesale value of one pound of donated product at the national level according to Feeding America. In addition, all support and revenues are considered exchange transactions and accordingly revenue is recognized when product is received and expenses are recognized when product is shipped.

Contributions

Contributions are revenues received for which direct commensurate value is not received by the donor. Contributions may be conditional or unconditional. Unconditional contributions are recognized as revenue immediately on the Food Bank's statements of activities. Recognition of revenue is deferred for conditional contributions until all donor-imposed conditions have been substantially met by the Food Bank. As of December 31, 2022 and 2021, the Food Bank does not have any conditional contributions.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from Contracts with Customers

Revenues are recognized at the point in time the performance obligation is satisfied, and when the service is provided, in an amount that reflects the consideration the Food Bank expects to be entitled to in exchange for those services. The Food Bank did not exercise significant judgement in determining the timing of satisfaction of performance obligations, or the price.

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.

Classification of Net Assets

The net assets of the Food Bank are reported as follows:

Without Donor Restrictions represents operating net assets which are available for the general operations of the Food Bank as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

With Donor Restriction represents gifts of cash or other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. Donations received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 amounts in the prior year financial statements have been reclassified to enhance comparability with the current period information. Such reclassifications had no impact on the Food Bank's financial position, results of operations or cash flows.

Second Harvest Food Bank of the Mahoning Valley

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE C - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Food Bank's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial Assets	
Cash and cash equivalents	\$ 2,680,287
Short-term investments	2,608,701
Investments	7,714,043
Accounts receivable	22,824
Grants receivable	139,588
Total financial assets	<u>13,165,443</u>
Less those unavailable for general expenditures within one year, due to:	
Board designated net assets	(900,000)
Donor-imposed purpose restrictions	<u>(462,411)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 11,803,032</u>

The Food Bank maintains a liquid cash balance in checking and savings accounts in an amount necessary to meet its anticipated expenditures. Management evaluates working capital needs based on cash flow, timing of receivables, and expectations of expenses to determine the amount.

NOTE D - NET ASSETS

Net assets without 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 in 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, 2022 and 2021.

Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	December 31,	
	2022	2021
Child hunger	\$ 29,979	\$ 34,922
Emergency food and shelter program	131,023	168,890
Mobile pantry program	33,614	25,564
School pantry program	52,485	52,526
Feeding America	150,000	-
United Way	65,310	-
TOTAL	<u>\$ 462,411</u>	<u>\$ 281,902</u>

Second Harvest Food Bank of the Mahoning Valley

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E - INVESTMENTS

Investments are stated at fair value based on quoted market prices and consist of the following:

	December 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Short-term Investments:				
Certificates of deposits	\$ 1,602,000	\$ 1,600,586	\$ -	\$ -
Treasury note	1,000,959	1,008,115	-	-
Total Short-term Investments	\$ 2,602,959	\$ 2,608,701	\$ -	\$ -

	December 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Long-term Investments:				
Money markets	\$ 2,139,134	\$2,139,134	\$ 51,249	\$ 51,249
Certificates of deposits	250,000	249,600	-	-
Equities	1,985,568	1,960,097	1,791,364	1,826,118
Mutual funds	3,858,983	3,365,212	3,710,166	3,787,646
Alternative investments	-	-	171,390	204,781
Total Long-term Investments	\$ 8,233,685	\$ 7,714,043	\$ 5,724,169	\$ 5,869,794

NOTE F - FAIR VALUE MEASUREMENTS

Financial accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Food Bank has characterized its financial instruments, based on the three levels of the fair value hierarchy, described as follows:

Level 1 fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 fair value inputs are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly or indirectly. Observable inputs include quoted market prices in active markets for similar assets, quoted prices in markets that are not active for identical or similar assets and other market observable inputs such as interest rate, credit spread and foreign currency exchange rates observable in the marketplace or derived from market transactions.

Level 3 fair values are based on at least one significant unobservable input for the asset. Level 3 securities contain unobservable market inputs and as a result considerable judgment may be used in determining the fair values.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS (continued)

Certain investments are measured at fair value using the net asset value (NAV) per share, or its equivalent, as a practical expedient. These investments include commingled funds which may include money market funds, common collective trusts and pooled separate accounts which are typically valued using the NAV provided by the investing agent. The Food Bank's holdings include money market accounts and investments in Community Foundations (2021). In accordance with accounting guidance, these investments have not been classified in the fair value hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Certificate of deposits: Valued at original cost plus accrued interest, which approximates fair value.

Money market funds: As a practical expedient, valued at net asset value (NAV) of shares held at year end.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at quoted market prices on the last business day of the year.

Investment in Community Foundations: Investment in Community Foundations is made up of a wide variety of underlying investments including mutual funds and money markets. The net asset value (NAV) of the Investment in Community Foundation is based on the market value of its underlying investments but the Investment in the Community Foundation NAV is not a publicly quoted price in an active market. The net asset value is being used as a practical expedient.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Second Harvest Food Bank of the Mahoning Valley

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS (continued)

The following tables set forth by level, within the fair value hierarchy, the Food Bank's assets at fair value as of December 31, 2022 and 2021.

Assets Measured at Fair Value at December 31, 2022, on a Recurring Basis

Description	Level 1	Level 2	Level 3	Total
Investments measured at fair value:				
Equities:				
Consumer	\$ 382,162	\$ -	\$ -	\$ 382,162
Energy	272,512	-	-	272,512
Financial	286,336	-	-	286,336
Healthcare	258,890	-	-	258,890
Industrials	87,882	-	-	87,882
Information technology	19,056	-	-	19,056
Real estate	196,039	-	-	196,039
Telecommunications	197,555	-	-	197,555
Utilities	232,698	-	-	232,698
Materials	26,967	-	-	26,967
Total equities	1,960,097	-	-	1,960,097
Mutual funds:				
Index funds	226,823	-	-	226,823
Balanced funds	868,647	-	-	868,647
Growth funds	186,326	-	-	186,326
Fixed income funds	1,086,730	-	-	1,086,730
Exchange traded funds	996,686	-	-	996,686
Total mutual funds	3,365,212	-	-	3,365,212
Certificates of deposit	-	1,850,186	-	1,850,186
Treasury notes	1,008,115	-	-	1,008,115
Subtotal investments at fair value	\$ 6,333,424	\$ 1,850,186	\$ -	8,183,610
 Investments at net asset value:				
Money market				2,139,134
Total				\$ 10,322,744

Second Harvest Food Bank of the Mahoning Valley

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE F - FAIR VALUE MEASUREMENTS (continued)

Assets Measured at Fair Value at December 31, 2021, on a Recurring Basis

Description	Level 1	Level 2	Level 3	Total
Investments measured at fair value:				
Consumer	\$ 443,525	\$ -	\$ -	\$ 443,525
Energy	247,624	-	-	247,624
Financial	221,356	-	-	221,356
Healthcare	257,675	-	-	257,675
Industrials	91,852	-	-	91,852
Real estate	134,622	-	-	134,622
Telecommunications	188,193	-	-	188,193
Utilities	241,271	-	-	241,271
Total equities	1,826,118	-	-	1,826,118
Mutual funds:				
Index funds	272,448	-	-	272,448
Balanced funds	883,191	-	-	883,191
Growth funds	242,690	-	-	242,690
Fixed income funds	1,233,381	-	-	1,233,381
Exchange traded funds	1,155,936	-	-	1,155,936
Total mutual funds	3,787,646	-	-	3,787,646
Subtotal investments at fair value	\$ 5,613,764	\$ -	\$ -	5,818,545
Investments at net asset value:				
Investment in Community Foundations				204,781
Money market				51,249
Total				\$ 5,869,794

NOTE G - LEASES

Operating Leases

The Food Bank leased 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 donations, which were included in the statement of activities for the year ended December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE H - RETIREMENT PLAN

The Food Bank maintains a defined contribution profit-sharing plan for its eligible leased employees. To be eligible, a leased employee must be 21 years of age and have completed one year of service. Contributions to the plan are made at the discretion of management, based on results of operations from year to year. No contributions to the plan have been made for the years ended December 31, 2022 and 2021.

The Food Bank also maintains an employee retirement plan under which 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. Food Bank contributions to the plan for the years ended December 31, 2022 and 2021 were \$57,091 and \$52,803, respectively. Substantially, all employees who have completed at least one year of service are eligible to participate in the plan.

NOTE I - CONCENTRATION OF RISK

The Food Bank maintains its cash in various financial institutions which, at times, may exceed federally insured limits of \$250,000. 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 maintains a major portion of its funds in investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Food Bank's account balances and the amounts reported in the statements of financial position.

Major Contributors

The Food Bank received approximately 22.4% in 2022 and 33.3% in 2021 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, 2022 and 2021, the Food Bank received \$273,757 and \$836,736 in grants and \$3,796,103 and \$7,110,687 of donated food from the USDA, respectively.

NOTE J - 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, 2022 and 2021 totaled \$39,409 and \$196,577, respectively.

NOTE K - SUBSEQUENT EVENTS

The Food Bank evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 21, 2023, which is the date the financial statements were available to be issued.

In March 2023, the Food bank entered into a contract totaling \$2,035,875 for a storage and truck shelter addition project.

On July 14, 2023, the Food Bank received a grant totaling \$250,000 from the S.L. Gimbel Foundation for program support for the year ended December 31, 2023.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE K - SUBSEQUENT EVENTS (continued)

In February 2023, the Food Bank received a grant totaling \$370,000 from the Trumbull County Commissioners for program support for the year ended December 31, 2023.



**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**

BOARD OF TRUSTEES
SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

We have audited, 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, 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, 2022 and related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 21, 2023.

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 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of Second Harvest Food Bank of the Mahoning Valley '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 purposes 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.

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 of 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*.

Purposes 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 Second Harvest Food Bank of the Mahoning Valley's internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.



Canfield, Ohio
September 21, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

BOARD OF TRUSTEES
SECOND HARVEST FOOD BANK OF THE MAHONING VALLEY

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 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, 2022. 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 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable 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 Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above have 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 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 purposes 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses 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.

Packer Thomas

Canfield, Ohio
September 21, 2023

Second Harvest Food Bank of the Mahoning Valley
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended December 31, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<u>Passed through by the Ohio Department of Jobs and Family Services</u>			
Comodity Supplemental Food Program	10.565	N/A	\$ 523,702
Emergency Food Assistance Program (Administrative Costs)	10.568	N/A	264,447
Emergency Food Assistance Program (Food Commodities)	10.569	N/A	664,860
		Total U. S. Department of Agriculture	<u>1,453,009</u>
<u>U.S. Department of Homeland Security</u>			
<u>Passed through by Columbiana, Mahoning and Trumbull Counties</u>			
Emergency Food and Shelter National Board Program	97.024	N/A	<u>273,693</u>
<u>U.S. Department of Health and Human Services</u>			
<u>Passed through by the Ohio Association of Second Harvest Foodbanks</u>			
Social Services Block Grant	93.667	N/A	<u>5,463,350</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,189,952</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the 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, 2022. 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 - 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.

NOTE D - INDIRECT COST RATE

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

Second Harvest Food Bank of the Mahoning Valley
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statement

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Significant deficiency identified? Yes None Reported

Type of auditor’s report issued: Unqualified

Any audit findings disclosed required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.667	Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported for the year ended December 31, 2022.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported for the year ended December 31, 2022.

