

*Financial statements of:*

**SECOND HARVEST HEARTLAND**

Years ended  
September 30, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Second Harvest Heartland  
1140 Gervais Ave.  
Maplewood, MN 55109

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Second Harvest Heartland (the Organization) which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, provides additional information about liquidity and availability of resources, and improves the consistency in the type of information provided about expenses and investment return. ASU 2016-14 was implemented in 2019 and has been reflected in the presentation of these financial statements. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

*Schechter Dokken Kanter  
Andrews & Silver Ltd.*

December 12, 2019

## SECOND HARVEST HEARTLAND

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|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| <b>Assets:</b>                           |                      |                      |
| Current assets:                          |                      |                      |
| Cash and cash equivalents                | \$ 6,561,160         | \$ 2,072,293         |
| Investments                              | 8,198,254            | 6,860,604            |
| Receivables:                             |                      |                      |
| Trade, net                               | 819,250              | 968,799              |
| Grants                                   | 550,859              | 658,443              |
| Pledges, current portion, net            | 256,409              | 169,532              |
| Other                                    | 43,491               | 26,204               |
| Inventory                                | 5,794,329            | 5,341,205            |
| Prepaid expense                          | 752,581              | 517,950              |
|  | <u>22,976,333</u>    | <u>16,615,030</u>    |
|  |                      |                      |
| Property and equipment, net              | <u>25,700,651</u>    | <u>20,056,124</u>    |
|  |                      |                      |
| Capital campaign pledges, net of reserve | <u>3,037,142</u>     | <u>5,932,497</u>     |
|  |                      |                      |
| Total assets                             | <u>\$ 51,714,126</u> | <u>\$ 42,603,651</u> |

See notes to financial statements.

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30

|   | 2019                 | 2018          |
|---|----------------------|---------------|
| <b><i>Liabilities and net assets:</i></b>         |                      |               |
| Current liabilities:                              |                      |               |
| Accounts payable                                  | \$ 1,919,491         | \$ 1,630,520  |
| Fiscal agent payable                              | 16,821               | 18,594        |
| Accrued expenses                                  | 1,242,498            | 973,796       |
| Capital leases, current portion                   | 470,203              | 320,791       |
| Notes payable, current portion                    | 3,000,000            |               |
| Deferred revenue                                  | 12,867               | 74,015        |
|   |                      |               |
| Total current liabilities                         | <b>6,661,880</b>     | 3,017,716     |
| Long - term liabilities, net of current portions: |                      |               |
| Notes payable                                     | 13,400,000           | 13,400,000    |
| Capital leases                                    | 1,760,195            | 1,247,604     |
|   | <b>15,160,195</b>    | 14,647,604    |
| Total liabilities                                 | <b>21,822,075</b>    | 17,665,320    |
| Net assets:                                       |                      |               |
| Without donor restrictions:                       |                      |               |
| Operations  | 18,178,256           | 12,416,647    |
| In-kind inventory                                 | 5,224,781            | 4,705,688     |
|   | <b>23,403,037</b>    | 17,122,335    |
| With donor restrictions                           | 6,489,014            | 7,815,996     |
| Total net assets                                  | <b>29,892,051</b>    | 24,938,331    |
| Total liabilities and net assets                  | <b>\$ 51,714,126</b> | \$ 42,603,651 |

## SECOND HARVEST HEARTLAND

|  | 2019                          |                            | Total                |
|--|-------------------------------|----------------------------|----------------------|
|  | Without donor<br>restrictions | With donor<br>restrictions |                      |
| Revenues:  |                               |                            |                      |
| Program services   | \$ 3,992,816                  |                            | \$ 3,992,816         |
| Purchase program   | 7,342,897                     |                            | 7,342,897            |
| Government contracts   | 3,560,309                     |                            | 3,560,309            |
| Contributions  | 16,100,778                    | \$ 4,351,161               | 20,451,939           |
| Special Events, net of expenses of \$420,112<br>and \$479,117 in 2019 and 2018, respectively | 298,333                       |                            | 298,333              |
| In-Kind donations:   |                               |                            |                      |
| Product  | 125,776,454                   |                            | 125,776,454          |
| Services   | 305,355                       |                            | 305,355              |
| Investment income  | 528,133                       |                            | 528,133              |
| Miscellaneous income   | 94,184                        |                            | 94,184               |
|  | <u>157,999,259</u>            | <u>4,351,161</u>           | <u>162,350,420</u>   |
| Net assets released from restrictions  | <u>5,678,143</u>              | <u>(5,678,143)</u>         | <u>-</u>             |
| Total support and revenues   | 163,677,402                   | (1,326,982)                | 162,350,420          |
| Expenses:  |                               |                            |                      |
| Programs   | 149,090,170                   |                            | 149,090,170          |
| General & administrative   | 3,799,466                     |                            | 3,799,466            |
| Fundraising  | 4,507,064                     |                            | 4,507,064            |
|  | <u>157,396,700</u>            |                            | <u>157,396,700</u>   |
| Change in net assets   | 6,280,702                     | (1,326,982)                | 4,953,720            |
| Change in net assets, increase (decrease) from:  |                               |                            |                      |
| Operations   | 5,761,609                     | (1,326,982)                | 4,434,627            |
| In-kind inventory change   | 519,093                       | -                          | 519,093              |
|  | <u>6,280,702</u>              | <u>(1,326,982)</u>         | <u>4,953,720</u>     |
| Total change in net assets   | 6,280,702                     | (1,326,982)                | 4,953,720            |
| Net assets, beginning  | <u>17,122,335</u>             | <u>7,815,996</u>           | <u>24,938,331</u>    |
| Net assets, ending   | <u>\$ 23,403,037</u>          | <u>\$ 6,489,014</u>        | <u>\$ 29,892,051</u> |

See notes to financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED SEPTEMBER 30

| 2018                          |                            |                      |
|-------------------------------|----------------------------|----------------------|
| Without donor<br>restrictions | With donor<br>restrictions | Total                |
| \$ 3,670,744                  |                            | \$ 3,670,744         |
| 7,489,739                     |                            | 7,489,739            |
| 3,127,595                     |                            | 3,127,595            |
| 15,493,994                    | \$ 6,080,935               | 21,574,929           |
| 567,714                       |                            | 567,714              |
| 116,328,488                   |                            | 116,328,488          |
| 645,721                       |                            | 645,721              |
| 111,995                       |                            | 111,995              |
| 233,482                       |                            | 233,482              |
| 147,669,472                   | 6,080,935                  | 153,750,407          |
| 3,981,280                     | (3,981,280)                |                      |
| 151,650,752                   | 2,099,655                  | 153,750,407          |
| 139,910,110                   |                            | 139,910,110          |
| 3,542,218                     |                            | 3,542,218            |
| 5,009,483                     |                            | 5,009,483            |
| 148,461,811                   |                            | 148,461,811          |
| 3,188,941                     | 2,099,655                  | 5,288,596            |
| 2,383,401                     | 2,099,655                  | 4,483,056            |
| 805,540                       | -                          | 805,540              |
| 3,188,941                     | 2,099,655                  | 5,288,596            |
| 13,933,394                    | 5,716,341                  | 19,649,735           |
| <u>\$ 17,122,335</u>          | <u>\$ 7,815,996</u>        | <u>\$ 24,938,331</u> |



**SECOND HARVEST HEARTLAND**

## STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30

|   | <u>2019</u>        | <u>2018</u>        |
|---|--------------------|--------------------|
| Cash flows from operating activities:   |                    |                    |
| Change in net assets  | \$ 4,953,720       | \$ 5,288,596       |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities: |                    |                    |
| Depreciation and amortization   | 1,223,141          | 996,201            |
| Donated securities  | (1,303,921)        | (868,394)          |
| Loss on disposal of equipment   | 13,750             | 18,700             |
| Realized and unrealized gains   | (464,837)          | (105,352)          |
| Capital campaign cash contributions with donor restriction  | (8,635,034)        | (3,740,174)        |
| Decrease (increase) in:   |                    |                    |
| Receivables, net  | 3,048,324          | (3,045,866)        |
| Prepaid expenses  | (234,631)          | (140,077)          |
| Inventory   | (453,124)          | (898,674)          |
| Other assets - deposits   | -                  | 18,649             |
| Decrease (increase) in:   |                    |                    |
| Accounts payable  | 288,971            | 216,751            |
| Fiscal agent payable  | (1,773)            | 6,226              |
| Accrued expenses  | 268,702            | 166,406            |
| Deferred:   |                    |                    |
| Revenue   | (61,148)           | 74,015             |
| Rent  | -                  | (14,554)           |
| Net cash used in operating activities   | <u>(1,357,860)</u> | <u>(2,027,547)</u> |
| Cash flows from investing activities:   |                    |                    |
| Purchase of:  |                    |                    |
| Property and equipment  | (5,833,472)        | (2,705,894)        |
| Investments   | (1,300,000)        | (132,322)          |
| Proceeds from sale of:  |                    |                    |
| Property and equipment  | (13,750)           | (18,700)           |
| Investments   | 1,731,108          | 945,836            |
| Net cash used in investing activities   | <u>(5,416,114)</u> | <u>(1,911,080)</u> |

See notes to financial statements.

**SECOND HARVEST HEARTLAND**STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30

|  | <u>2019</u>         | <u>2018</u>         |
|--|---------------------|---------------------|
| Cash flows from financing activities:                |                     |                     |
| Capital campaign cash contributions                  | \$ 8,635,034        | \$ 3,740,174        |
| Payments on:   |                     |                     |
| Capital leases                                       | (372,193)           | (293,171)           |
| Proceeds from notes payable                          | <u>3,000,000</u>    | <u>-</u>            |
| Net cash provided by financing activities            | <u>11,262,841</u>   | <u>3,447,003</u>    |
| Net increase (decrease) in cash and cash equivalents | 4,488,867           | (491,624)           |
| Cash and cash equivalents, beginning                 | <u>2,072,293</u>    | <u>2,563,917</u>    |
| Cash and cash equivalents, ending                    | <u>\$ 6,561,160</u> | <u>\$ 2,072,293</u> |
| Supplemental disclosure of cash flow information:    |                     |                     |
| Cash paid for interest                               | <u>\$ 322,377</u>   | <u>\$ 227,716</u>   |
| Purchase of equipment through capital leases         | <u>\$ 1,034,196</u> | <u>\$ 423,330</u>   |

See notes to financial statements.

## SECOND HARVEST HEARTLAND

|                                       | Programs            |                       |                     |                     |
|---------------------------------------|---------------------|-----------------------|---------------------|---------------------|
|                                       | CSFP                | Food Bank             | Food Sourcing       | Community Outreach  |
| Wages and temporary services          | \$ 313,657          | \$ 2,391,678          | \$ 1,689,301        | \$ 1,531,756        |
| Fringe benefits and payroll taxes     | 69,935              | 550,537               | 414,753             | 349,695             |
| Professional fees                     | 81                  | 74,069                | 21,840              | 352,554             |
| In-kind professional fees             | 142,010             | 5,200                 | 18,400              | 17,900              |
| Occupancy                             | 155,368             | 532,516               | 10,039              | 23,647              |
| Vehicles operation                    | 34,944              | 602,932               | 392,510             | 8,414               |
| Procurement                           | 61,910              | 104,509               | 3,652,729           | 2,034               |
| Equipment                             | 26,762              | 464,145               | 109,416             | 144,553             |
| Supplies                              | 21,459              | 57,490                | 19,624              | 52,369              |
| Meeting, travel and staff development | 6,291               | 6,272                 | 40,310              | 125,802             |
| Promotions and marketing              | 661                 | -                     | 770                 | 41,045              |
| Special events expense                | -                   | -                     | -                   | -                   |
| Direct mail                           | -                   | 816                   | -                   | -                   |
| Cluster/network fees                  | -                   | -                     | -                   | -                   |
| Agency assistance                     | -                   | 162                   | 151                 | 282,629             |
| In-kind distributed*                  | 5,557,075           | 119,700,285           | -                   | -                   |
| Cost of purchased product disbursed   | -                   | 7,273,781             | -                   | 175,649             |
| Other                                 | -                   | 211                   | -                   | -                   |
| Depreciation and amortization         | 29,701              | 1,051,732             | 75,507              | 24,240              |
| Bad debts                             | -                   | 553                   | -                   | -                   |
| Interest                              | -                   | 260,688               | 14,526              | 577                 |
|                                       | <b>6,419,854</b>    | <b>133,077,576</b>    | <b>6,459,876</b>    | <b>3,132,864</b>    |
| Less:                                 |                     |                       |                     |                     |
| Special events direct expenses        |                     |                       |                     |                     |
|                                       | <b>\$ 6,419,854</b> | <b>\$ 133,077,576</b> | <b>\$ 6,459,876</b> | <b>\$ 3,132,864</b> |

\*Food Bank In-kind distributed includes Food Rescue product.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

| Programs<br>total     | Support services            |                     |                     | Support<br>total      | Total                 | 2018<br>Total |
|-----------------------|-----------------------------|---------------------|---------------------|-----------------------|-----------------------|---------------|
|                       | General &<br>administrative | Fundraising         |                     |                       |                       |               |
| \$ 5,926,392          | \$ 2,391,226                | \$ 1,863,482        | \$ 4,254,708        | \$ 10,181,100         | \$ 10,148,263         |               |
| 1,384,920             | 471,476                     | 442,240             | 913,716             | 2,298,636             | 2,344,630             |               |
| 448,544               | 387,887                     | 219,207             | 607,094             | 1,055,638             | 1,181,434             |               |
| 183,510               | 59,040                      | 62,805              | 121,845             | 305,355               | 634,471               |               |
| 721,570               | 123,828                     | 20,752              | 144,580             | 866,150               | 980,667               |               |
| 1,038,800             | 8,280                       | 229                 | 8,509               | 1,047,309             | 1,187,406             |               |
| 3,821,182             | -                           | 33                  | 33                  | 3,821,215             | 3,501,331             |               |
| 744,876               | 26,756                      | 127,534             | 154,290             | 899,166               | 1,130,475             |               |
| 150,942               | 11,470                      | 151,416             | 162,886             | 313,828               | 415,911               |               |
| 178,675               | 68,789                      | 23,253              | 92,042              | 270,717               | 372,947               |               |
| 42,476                | 143,350                     | 172,585             | 315,935             | 358,411               | 517,776               |               |
| -                     | 55                          | 420,057             | 420,112             | 420,112               | 363,634               |               |
| 816                   | 2,018                       | 1,398,389           | 1,400,407           | 1,401,223             | 1,466,233             |               |
| -                     | 23,985                      | -                   | 23,985              | 23,985                | 30,888                |               |
| 282,942               | 10                          | -                   | 10                  | 282,952               | 191,055               |               |
| 125,257,360           | -                           | -                   | -                   | 125,257,360           | 115,522,947           |               |
| 7,449,430             | 10,263                      | -                   | 10,263              | 7,459,693             | 7,651,968             |               |
| 211                   | 1,529                       | 91                  | 1,620               | 1,831                 | 94,209                |               |
| 1,181,180             | 18,355                      | 23,606              | 41,961              | 1,223,141             | 996,201               |               |
| 553                   | 6,060                       | -                   | 6,060               | 6,613                 | (19,234)              |               |
| 275,791               | 45,144                      | 1,442               | 46,586              | 322,377               | 227,716               |               |
| <b>149,090,170</b>    | <b>3,799,521</b>            | <b>4,927,121</b>    | <b>8,726,642</b>    | <b>157,816,812</b>    | <b>148,940,928</b>    |               |
|                       | <b>55</b>                   | <b>420,057</b>      | <b>420,112</b>      | <b>420,112</b>        | <b>479,117</b>        |               |
| <b>\$ 149,090,170</b> | <b>\$ 3,799,466</b>         | <b>\$ 4,507,064</b> | <b>\$ 8,306,530</b> | <b>\$ 157,396,700</b> | <b>\$ 148,461,811</b> |               |

## SECOND HARVEST HEARTLAND

|                                       | Programs            |                       |                     |                     |
|---------------------------------------|---------------------|-----------------------|---------------------|---------------------|
|                                       | CSFP                | Food Bank             | Food Sourcing       | Community Outreach  |
| Wages and temporary services          | \$ 310,909          | \$ 2,369,583          | \$ 1,570,803        | \$ 1,638,840        |
| Fringe benefits and payroll taxes     | 69,802              | 611,890               | 385,909             | 384,920             |
| Professional fees                     | 484                 | 21,500                | 2,497               | 484,436             |
| In-kind professional fees             | 150                 | 7,800                 | 506,089             | 4,200               |
| Occupancy                             | 116,764             | 771,331               | 12,362              | 25,363              |
| Vehicles operation                    | 38,514              | 708,800               | 417,542             | 13,857              |
| Procurement                           | 63,672              | 35,316                | 3,394,726           | 7,617               |
| Equipment                             | 38,489              | 476,555               | 146,578             | 183,828             |
| Supplies                              | 28,019              | 83,950                | 30,992              | 40,334              |
| Meeting, travel and staff development | 12,036              | 11,841                | 58,593              | 144,526             |
| Promotions and marketing              | 1,151               | -                     | 992                 | 38,737              |
| Direct events                         | -                   | -                     | -                   | -                   |
| Direct mail                           | -                   | -                     | -                   | -                   |
| Cluster/network fees                  | -                   | -                     | -                   | -                   |
| Agency assistance                     | -                   | 2,384                 | 4,449               | 183,796             |
| In-kind distributed*                  | 6,033,916           | 109,489,031           | -                   | -                   |
| Cost of purchased product disbursed   | -                   | 7,423,993             | -                   | 212,353             |
| Other                                 | -                   | 91,769                | 1,895               | 1,165               |
| Depreciation and amortization         | 19,401              | 872,092               | 56,052              | 18,368              |
| Bad debts                             | -                   | 41                    | -                   | -                   |
| Interest                              | -                   | 217,533               | 9,520               | 55                  |
|                                       | <u>6,733,307</u>    | <u>123,195,409</u>    | <u>6,598,999</u>    | <u>3,382,395</u>    |
| Less:                                 |                     |                       |                     |                     |
| Special events direct expenses        |                     |                       |                     |                     |
|                                       | <u>\$ 6,733,307</u> | <u>\$ 123,195,409</u> | <u>\$ 6,598,999</u> | <u>\$ 3,382,395</u> |

\*Food Bank In-kind distributed includes Food Rescue product.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2018

| Programs<br>total     | Support services            |                     |                     | Support<br>total      | Total |
|-----------------------|-----------------------------|---------------------|---------------------|-----------------------|-------|
|                       | General &<br>administrative | Fundraising         |                     |                       |       |
| \$ 5,890,135          | \$ 2,208,194                | \$ 2,049,934        | \$ 4,258,128        | \$ 10,148,263         |       |
| 1,452,521             | 402,942                     | 489,167             | 892,109             | 2,344,630             |       |
| 508,917               | 397,836                     | 274,681             | 672,517             | 1,181,434             |       |
| 518,239               | 4,219                       | 112,013             | 116,232             | 634,471               |       |
| 925,820               | 29,964                      | 24,883              | 54,847              | 980,667               |       |
| 1,178,713             | 7,963                       | 730                 | 8,693               | 1,187,406             |       |
| 3,501,331             | -                           | -                   | -                   | 3,501,331             |       |
| 845,450               | 94,740                      | 190,285             | 285,025             | 1,130,475             |       |
| 183,295               | 56,413                      | 176,203             | 232,616             | 415,911               |       |
| 226,996               | 99,910                      | 46,041              | 145,951             | 372,947               |       |
| 40,880                | 194,273                     | 282,623             | 476,896             | 517,776               |       |
| -                     | -                           | 363,634             | 363,634             | 363,634               |       |
| -                     | 7,789                       | 1,458,444           | 1,466,233           | 1,466,233             |       |
| -                     | 30,888                      | -                   | 30,888              | 30,888                |       |
| 190,629               | 426                         | -                   | 426                 | 191,055               |       |
| 115,522,947           | -                           | -                   | -                   | 115,522,947           |       |
| 7,636,346             | 15,622                      | -                   | 15,622              | 7,651,968             |       |
| 94,829                | (1,420)                     | 800                 | (620)               | 94,209                |       |
| 965,913               | 11,568                      | 18,720              | 30,288              | 996,201               |       |
| 41                    | (19,275)                    | -                   | (19,275)            | (19,234)              |       |
| 227,108               | 166                         | 442                 | 608                 | 227,716               |       |
| 139,910,110           | 3,542,218                   | 5,488,600           | 9,030,818           | 148,940,928           |       |
|                       |                             | 479,117             | 479,117             | 479,117               |       |
| <u>\$ 139,910,110</u> | <u>\$ 3,542,218</u>         | <u>\$ 5,009,483</u> | <u>\$ 8,551,701</u> | <u>\$ 148,461,811</u> |       |

1. Summary of significant accounting policies:

## Nature of activities:

Second Harvest Heartland (the Organization) is a Minnesota not-for-profit organization dedicated to ending hunger through community partnerships and increasing public awareness of hunger. The Organization obtains, stores and distributes donated and purchased food to approximately 1,100 member agency programs and directly to low income individuals in Minnesota and Western Wisconsin. The Organization is a member of Feeding America, an association of more than 200 food banks serving the entire country. Through partnerships with public agencies and other nonprofit organizations, the Organization assists in the administration of two government programs: The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). The organization is engaged in a capital campaign for funding of capital expansion and improvements. Private and governmental funding was raised in 2019 and 2018 to pursue expansion of services in partnership with the health care industry. The Organization also administers a food rescue program as well as provides food to member agencies (food bank program) and other programs that address hunger issues. Financial funding for the Organization comes from general contributions, grants, fees charged to member agencies and non-financial funding comes from donations and grants of food.

The Organization is engaged in a Capital Campaign to raise \$50 million to support acquisition and improvements for a new food bank facility, upgrade its truck fleet and support new and growing programs to enhance its hunger relief efforts.

The Capital Campaign includes \$18 million of funding sponsored by a General Obligation Grant from the State of Minnesota (State) to the City of Brooklyn Park (City) for renovation of the food bank facility. Approval for the State Grant occurred June 1, 2018 and a grant agreement between the State and City was signed September 12, 2019. Initial funding for project costs occurred in November 2019 with a portion reimbursed to the Organization for qualifying expenses and the remainder paid directly to vendors.

Access to grant funds by the organization to complete the food bank facility required ownership of the food bank facility by the City. On February 11, 2019 the Organization leased the land and food bank facility to the City for 37.5 years resulting in constructive ownership as required by State regulations. No amounts are due under this lease.

The Organization will operate the food bank facility under the control of a lease-use agreement between the Organization and the City signed February 11, 2019. The term of the lease-use agreement is 15 years. The Organization has two renewal options (15 years and 7.5 years). In the event that the lease-use is not renewed or the agreement is terminated early, the City has the option to buy the facility or sell the facility. Proceeds from the sale of the facility must be used to repay State bond funding, outstanding debt and Organization improvements to the facility. No amounts are due under this lease-use agreement.

Renovation of the facility commenced in April of 2019. The new volunteer center opened in September 2019 with full completion of the food bank facility anticipated for March of 2020.

The Capital Campaign has achieved 95% of the funding goal and the food bank facility is fully funded. The Organization anticipates completion of the Capital Campaign in 2020.

1. Summary of significant accounting policies (continued):

## Change in accounting principle:

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, provides information about liquidity and availability of resources, and improves consistency in the type of information provided about expenses and investment return. ASU 2016-14 was adopted as of and for the year ended September 30, 2019 and has been reflected in the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

## Use of estimates:

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include in-kind donated food inventory, receipts and distributions and in-kind donated services.

## Major source of revenue:

The Organization received approximately 12% and 9% of total support and revenue from one governmental agency for the years ended September 30, 2019 and 2018, respectively.

## Contributions and grants:

All contributions and grants are considered to be without donor restrictions and available for use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a restriction expires in the same fiscal year in which the contribution was recognized, the contribution is reported as an increase in net assets without donor restriction. At the end of fiscal years 2019 and 2018, the Organization did not have any net assets with donor restrictions in perpetuity.

## Net assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Organization presents its net assets without donor restrictions in two categories: operations and in-kind inventory. The in-kind inventory category is the accumulated effect that in-kind activity has on ending inventory, while the operations amount is the accumulated effect of change in net assets excluding the in-kind inventory activity.

*Net assets with donor restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.



1. Summary of significant accounting policies (continued):

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and change in net assets. Expenses that relate to more than one program or function have been allocated based on the best estimates of management. Salary expenditures and related benefits are allocated directly to the appropriate departments based on time records. Occupancy and depreciation/interest charges are allocated based on a combination of square footage (for warehouse space) and FTEs (for office space). Supplies & technology and management/admin expenses are allocated to various departments based on FTEs at the end of each month. Communications and advocacy expenses are allocated based on estimates of content of communications materials.

Received product:

The Organization reports contributions of food over which it has control as in-kind donations without donor restriction. Public donations of food and food obtained through USDA commodity programs (TEFAP and CSFP) are valued based on a weighted average wholesale value per pound. This valuation is determined using a report provided annually by Feeding America based on an annual study. During fiscal years 2019 and 2018, the Organization received 117,675,000 and 108,090,000 pounds of food, respectively. The Organization reported in-kind donations for donated food, along with purchased product valued at cost, as follows:

|                            | <u>2019</u>               |                              |
|----------------------------|---------------------------|------------------------------|
|                            | <u>Pounds</u>             | <u>Dollars</u>               |
| Donated product            | <b>84,748,000</b>         | <b>\$ 107,918,000</b>        |
| TEFAP                      | <b>8,454,000</b>          | <b>12,564,000</b>            |
| CSFP                       | <b><u>3,354,000</u></b>   | <b><u>5,294,000</u></b>      |
| In-kind donations          | <b>96,556,000</b>         | <b>125,776,000</b>           |
| Purchased                  | <b>14,292,000</b>         | <b>7,488,000</b>             |
| In-kind donations as agent | <b><u>6,827,000</u></b>   | <b><u>12,838,000</u></b>     |
| Total received             | <b><u>117,675,000</u></b> | <b><u>\$ 146,102,000</u></b> |
|                            | <u>2018</u>               |                              |
|                            | <u>Pounds</u>             | <u>Dollars</u>               |
| Donated product            | 77,776,000                | \$ 103,046,000               |
| TEFAP                      | 3,942,000                 | 6,759,000                    |
| CSFP                       | <b><u>3,854,000</u></b>   | <b><u>6,523,000</u></b>      |
| In-kind donations          | 85,572,000                | 116,328,000                  |
| Purchased                  | 16,126,000                | 7,820,000                    |
| In-kind donations as agent | <b><u>6,392,000</u></b>   | <b><u>13,828,000</u></b>     |
| Total received             | <b><u>108,090,000</u></b> | <b><u>\$ 137,976,000</u></b> |

**SECOND HARVEST HEARTLAND**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2019 AND 20181. Summary of significant accounting policies (continued):

The Organization acts as an agent for five other Feeding America Food Banks with locations in Minnesota. Per contractual arrangements, the Organization re-distributes certain products to these other Feeding America locations.

## Distributed product:

During fiscal years 2019 and 2018, the Organization distributed 113,367,000 and 104,239,000 pounds of food, respectively, to member agencies and partners. The following reflects all of the Organization's distributions (including purchased product, but excluding waste) during fiscal years 2019 and 2018:

|                                | 2019               |                       |
|--------------------------------|--------------------|-----------------------|
|                                | <u>Pounds</u>      | <u>Dollars</u>        |
| Donated product                | 80,884,000         | \$ 103,976,000        |
| TEFAP                          | 7,796,000          | 11,818,000            |
| CSFP                           | <u>3,447,000</u>   | <u>5,516,000</u>      |
| In-kind distributions          | 92,127,000         | 121,310,000           |
| Purchased                      | 14,449,000         | 7,550,000             |
| In-kind distributions as agent | <u>6,791,000</u>   | <u>12,865,000</u>     |
| Total distributions            | <u>113,367,000</u> | <u>\$ 141,725,000</u> |

  

|                                | 2018               |                       |
|--------------------------------|--------------------|-----------------------|
|                                | <u>Pounds</u>      | <u>Dollars</u>        |
| Donated product                | 74,307,000         | \$ 98,900,000         |
| TEFAP                          | 4,037,000          | 7,028,000             |
| CSFP                           | <u>3,546,000</u>   | <u>5,928,000</u>      |
| In-kind distributions          | 81,890,000         | 111,856,000           |
| Purchased                      | 15,996,000         | 7,736,000             |
| In-kind distributions as agent | <u>6,353,000</u>   | <u>13,585,000</u>     |
| Total distributions            | <u>104,239,000</u> | <u>\$ 133,177,000</u> |

1. Summary of significant accounting policies (continued):

## Contributed services:

The Organization received donated in-kind professional services, skilled volunteer services, and in-kind rent in 2019 and 2018 which were recorded as revenue and expense at the fair value as established by the donor of \$305,355 and \$645,721, respectively.

Members of the Organization and volunteers have donated significant amounts of their time to enhancing the Organization's activities. The number of unique volunteers and hours of service totaled 24,193 and 105,515 in 2019, respectively. The number of unique volunteers and hours of service totaled 27,530 and 105,634 in 2018, respectively. The value of these donated services totaled \$1,040,380 and \$1,019,368 in 2019 and 2018, respectively, however the amount is not reflected in the accompanying financial statements as they are non-specialized services.

## Cash and cash equivalents:

Cash and cash equivalents include interest bearing money market accounts and any debt securities with an original maturity of three months or less. The Organization maintains its cash and cash equivalents with various financial institutions. At times, these balances may exceed federally insured limits. The Organization has not experienced a loss as a result of these deposits.

## Investments:

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

## Fair value measurements:

The Organization's investments are reported using a framework for measuring fair value. The 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 three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets, for which prices are available at the measurement date.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**1. Summary of significant accounting policies (continued):**

## Fair value measurements (continued):

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used must maximize the use of observable inputs and minimize the use of unobservable inputs.

## Inventory:

Inventory is valued on a first-in, first-out basis. Public donations of food and food obtained through USDA commodity programs (TEFAP and CFSP) are valued based on a weighted average wholesale price per pound. This valuation is determined using a report provided annually by Feeding America based on an annual study. Purchased food is valued based on actual cost. Inventory is shown net of any inventory on-hand that is allocated to Feeding America entities for which the Organization is only acting as an agent.

## Property and equipment:

Property and equipment are stated at cost. Contributed property and equipment are recorded at fair value at the date of donation. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. The capitalization policy of the Organization is to capitalize all property and equipment over \$5,000. Asset lives are as follows:

|                       |             |
|-----------------------|-------------|
| Buildings             | 40 years    |
| Building improvements | 10-25 years |
| Equipment             | 3-10 years  |
| Autos and trucks      | 3-10 years  |

## Computer software:

The Organization capitalizes the costs of obtaining or developing internal use software including directly related payroll costs and amortizes those costs over a period of three years, beginning when the software is ready for its intended use.

1. Summary of significant accounting policies (continued):

## Trade receivable and bad debt:

Trade receivables are stated at original invoice amount less an estimate for doubtful receivables based on management's review of all outstanding amounts and historical experience. Accounts receivable are written-off when deemed uncollectible. Recoveries of accounts previously written-off are recorded when received. The allowance for doubtful accounts was \$14,200 and \$12,498 as of September 30, 2019 and 2018, respectively. The Organization transacts with its member agencies on open credit and such accounts receivable are uncollateralized. The maximum loss that would be incurred if a member agency failed to pay amounts owed would be limited to the recorded amount due after any allowances provided.

An account is considered past due if the balance is outstanding for more than 60 days.

## Grants receivable:

Grants receivable are stated at the estimated net realizable value after provision for doubtful accounts. There was no allowance related to grants receivable at September 30, 2019 and 2018. Grants receivable at September 30, 2019 and 2018 are due in less than one year.

## Capital Campaign and Pledges receivable:

Unconditional promises to give are recorded at net realizable value. The allowance for uncollectible pledges was \$70,935 and \$95,939 as of September 30, 2019 and 2018, respectively. Capital campaign pledges to be utilized for a long-term purpose are recorded as long term. Conditional promises to give are recognized when the conditions are met.

## Income taxes:

The Organization is exempt, as a public charity, from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. However, income from certain activities not directly related to the Organization's tax-exempt purpose could result in taxable income.

The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

## Advertising costs:

Advertising costs are expensed as incurred. Total advertising expense was \$1,768,044 and \$1,896,143 for the years ended September 30, 2019 and 2018, respectively.

## Subsequent events:

The Organization evaluated for subsequent events through December 12, 2019 the date the financial statements were available for issuance.

2. Liquidity:

The following represents the Organization’s financial assets at September 30, 2019 and 2018:

|   | <u>2019</u>          | <u>2018</u>         |
|---|----------------------|---------------------|
| Financial assets at year end:   |                      |                     |
| Cash and cash equivalents   | \$ 6,561,160         | \$ 2,072,293        |
| Investments   | 8,198,254            | 6,860,604           |
| Accounts receivable, trade, net   | 819,250              | 968,799             |
| Grants receivable   | 550,859              | 658,443             |
| Pledges receivable, current portion, net  | 256,409              | 169,532             |
| Other   | <u>43,491</u>        | <u>26,204</u>       |
| Total financial assets  | <u>16,429,423</u>    | <u>10,755,875</u>   |
| Less amounts not available to be used within one year:                              |                      |                     |
| Net assets with donor restrictions  | 6,489,014            | 7,815,996           |
| Less net assets with purpose restrictions to be met in less than a year             | <u>(256,409)</u>     | <u>(14,533)</u>     |
|   | <u>6,232,605</u>     | <u>7,801,463</u>    |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 10,196,818</u> | <u>\$ 2,954,412</u> |

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all funding sources and expenditures related to operations and capital improvements.

Financial assets include the following and generally are expected to be managed as defined below:

- Operating Cash – maintain 30 to 45 days of cash operating expense.
- Investments – excess operating reserves to be managed in accordance with investment policy.
- Investments – for restricted purposes (i.e.: Capital Campaign) – to be managed in accordance with investment policy and donor wishes with respect to timing of expenditure.
- Accounts receivable – provide 30 to 45 days of credit to agencies.
- Contracts receivable – per contract terms.
- Pledges receivable – per pledge agreement terms.
- Prepaid expenses – minimize based on financial value and contractual terms.
- Donated Stock – liquidate as soon as practical and in accordance with gift receipt policy.

2. Liquidity (continued):

Funding and management of liquidity and investment returns may be facilitated by the following:

- Accounts payable – payment according to vendor terms to avoid finance charges.
- Short-term Debt/Line of credit – maintain a line of credit based on short-term financial exposure.
- Long-term Debt – obtain based on Board authorized financial plan.
- Restricted assets – maintain based on restricted expenditure timeframe.

3. Fair value measurements:

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of September 30, 2019 and 2018.

|              | <b>2019</b>         |                |                |                     |
|--------------|---------------------|----------------|----------------|---------------------|
|              | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Equity       | \$ 1,114,796        |                |                | \$ 1,114,796        |
| Fixed income | <u>7,083,458</u>    |                |                | <u>7,083,458</u>    |
|              | <u>\$ 8,198,254</u> |                |                | <u>\$ 8,198,254</u> |
|              | <b>2018</b>         |                |                |                     |
|              | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Equity       | \$ 1,854,942        |                |                | \$ 1,854,942        |
| Fixed income | <u>5,005,662</u>    |                |                | <u>5,005,662</u>    |
|              | <u>\$ 6,860,604</u> |                |                | <u>\$ 6,860,604</u> |

4. Inventory:

Ending inventory is comprised of the following:

|           | <u>2019</u>         | <u>2018</u>         |
|-----------|---------------------|---------------------|
| Donated   | \$ 2,610,132        | \$ 2,542,276        |
| TEFAP     | 1,208,947           | 495,103             |
| CSFP      | 1,405,703           | 1,668,309           |
| Purchased | <u>569,547</u>      | <u>635,517</u>      |
|           | <u>\$ 5,794,329</u> | <u>\$ 5,341,205</u> |

**SECOND HARVEST HEARTLAND**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2019 AND 20185. Pledges and capital campaign pledges receivable:

Unconditional promises to give are recorded as pledges receivable and revenue of the appropriate net asset category.

Unconditional promises to give at September 30 are as follows:

|   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Promises without donor restriction              | \$ 438,920          | \$ 14,533           |
| Promises with donor restriction                 | <u>2,854,631</u>    | <u>6,087,496</u>    |
| Pledges and capital campaign pledges receivable | <u>\$ 3,293,551</u> | <u>\$ 6,102,029</u> |
| Amounts due in:                                 |                     |                     |
| Less than one year                              | \$ 1,431,897        | \$ 3,254,000        |
| One to five years                               | \$ 1,861,654        | \$ 2,848,029        |

6. Property and equipment:

|  | <u>2019</u>          | <u>2018</u>          |
|--|----------------------|----------------------|
| Building                                       | \$ 12,028,904        | \$ 12,028,904        |
| Building improvements                          | 12,061,436           | 7,481,524            |
| Office equipment                               | 3,499,991            | 2,543,119            |
| Warehouse equipment                            | 2,317,198            | 2,166,220            |
| Autos and trucks                               | 6,172,869            | 5,292,287            |
| Land   | <u>2,690,000</u>     | <u>2,690,000</u>     |
|  | <b>38,770,398</b>    | 32,202,054           |
| Less accumulated depreciation and amortization | <u>13,069,747</u>    | <u>12,145,930</u>    |
|  | <u>\$ 25,700,651</u> | <u>\$ 20,056,124</u> |



**SECOND HARVEST HEARTLAND**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2019 AND 20187. Line of credit and revolving bridge promissory note:

The Organization has a bank line of credit, secured by certain assets, in the amount of \$2,000,000. The line carries an interest rate of 2.50% over 1-month LIBOR rate (LIBOR rate is 2.02% at September 30, 2019). No balance was drawn on the line of credit at September 30, 2019 and 2018. The line is scheduled to expire on May 31, 2020.

Revolving Bridge Promissory Note whereby the Organization may borrow up to \$4,000,000 with Interest at 2.25% over 1-month LIBOR rate with a floor of 2.25%. Accrued interest payable monthly and all unpaid principal and interest due at maturity on February 1, 2022. No amounts were outstanding on this note as of September 30, 2019. The note is subject to a pledge of existing and future donations, gifts, and contributions, including balances in investment accounts.

8. Long-term debt:

|  | <u>2019</u>                 | <u>2018</u>          |
|--|-----------------------------|----------------------|
| Mortgage payable with interest at 2.25% over 1-month LIBOR rate with a floor of 2.25% through February 28, 2022, and interest at 2.45% over the business day yield on 5 year Interest Rate Swaps after that date. The 1-month LIBOR rate was 2.02% at September 30, 2019. Interest accrues and is due monthly through March 1, 2022. Beginning April 1, 2022, monthly installments of principal and interest in order to fully amortize outstanding principal due for 20 years from February 11, 2019 are due. In addition, principal payments in order to reduce the principal balance to the following amounts as of February 11 of each year are required: \$7,266,000 by 2020, \$5,266,000 by 2021 and \$4,000,000 by 2022. All unpaid principal and interest is due February 1, 2027. Mortgage is collateralized by building and accessories. | <b>\$ 10,266,000</b>        | \$ 10,266,000        |
| Mortgage payable with interest at 2.25% over 1-month LIBOR rate with a floor of 2.25%. The 1-month LIBOR rate was 2.02% at September 30, 2019. Interest accrues and is due monthly beginning March 1, 2019. Mortgage is collateralized by building and accessories, and matures on February 1, 2022.   | <b>3,134,000</b>            | 3,134,000            |
| Note payable with interest only payments through maturity date. Interest payments of 2% per annum on the unpaid principal balance due January 14, 2020, 2021, and at maturity of January 14, 2022, when the entire unpaid principal and interest is due.   | <u><b>3,000,000</b></u>     | -                    |
|  | <b>16,400,000</b>           | 13,400,000           |
| Less current portion   | <u><b>3,000,000</b></u>     | -                    |
|  | <u><b>\$ 13,400,000</b></u> | <u>\$ 13,400,000</u> |

**8. Long-term debt (continued):**

Future maturities of long-term debt are as follows:

| <u>Year ending<br/>September 30</u> | <u>Amount</u>        |
|-------------------------------------|----------------------|
| 2020                                | \$ 3,000,000         |
| 2021                                | 2,000,000            |
| 2022                                | 7,400,000            |
| 2023                                | 513,300              |
| 2024                                | 513,300              |
| Thereafter                          | <u>2,973,400</u>     |
|                                     | <u>\$ 16,400,000</u> |

**9. Operating leases:**

The Organization leases equipment through a lease expiring in 2020. Total rent expense for the years ended September 30, 2019 and 2018 was \$246,641 and \$303,612, respectively.

The Organization also leased space to carry out organization objectives. This lease expired in May 2018. In addition to minimum base rental payments, the Organization was required to pay its proportional share of real estate taxes and operating expenses. Rent expense was \$214,729 for the year ended September 30, 2018.

**10. Capital leases:**

The Organization has capital leases for vehicles and warehouse equipment which expire at various dates during fiscal years 2022 – 2026. The vehicles and warehouse equipment were recorded at fair value on the lease commitment date.

The cost and accumulated amortization related to an asset that is held under capital leases are as follows:

|                               | <u>2019</u>         | <u>2018</u>         |
|-------------------------------|---------------------|---------------------|
| Equipment cost                | \$ 3,361,735        | \$ 2,327,539        |
| Less accumulated amortization | <u>1,201,020</u>    | <u>827,240</u>      |
|                               | <u>\$ 2,160,715</u> | <u>\$ 1,500,299</u> |

10. Capital leases (continued):

Future principal and interest payments under the capital lease as of September 30, 2019, are as follows:

| <u>Year ending<br/>September 30</u>                    | <u>Amount</u>       |
|--|---------------------|
| 2020   | \$ 541,294          |
| 2021   | 541,294             |
| 2022   | 533,108             |
| 2023   | 317,694             |
| 2024   | 239,506             |
| Thereafter   | <u>261,496</u>      |
| Less amounts representing interest                     | <u>203,994</u>      |
| Present value of net minimum lease obligation payments | <u>\$ 2,230,398</u> |

11. Net assets with donor restrictions:

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

|                                   | <u>2019</u>         | <u>2018</u>         |
|-----------------------------------|---------------------|---------------------|
| Child Nutrition                   | \$ 35,140           | \$ 28,000           |
| Capital investment                | -                   | 13,333              |
| Equipment                         | 35,000              | 38,603              |
| Hunger and Health                 | 12,190              | 2,553               |
| Capital Campaign                  | 6,253,430           | 7,403,126           |
| Other programming and fundraising | <u>153,254</u>      | <u>330,381</u>      |
|                                   | <u>\$ 6,489,014</u> | <u>\$ 7,815,996</u> |

**SECOND HARVEST HEARTLAND**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**12. Net assets released from restriction:**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

|                                   | <u>2019</u>         | <u>2018</u>         |
|-----------------------------------|---------------------|---------------------|
| SNAP                              | \$ 3,615            | \$ 35,300           |
| Child Nutrition                   | 28,000              | 70,745              |
| Capital investment                | 13,333              | 40,000              |
| Equipment                         | 38,603              | 39,978              |
| Hunger and Health                 | 15,364              | 445,920             |
| Capital Campaign                  | 5,247,717           | 2,919,352           |
| Other programming and fundraising | <u>331,511</u>      | <u>429,985</u>      |
|                                   | <u>\$ 5,678,143</u> | <u>\$ 3,981,280</u> |

**13. Fiscal agent:**

During the years ending September 30, 2019 and 2018, the Organization received cash from donors for which it is acting as a fiscal agent, which were not fully disbursed at September 30, 2019 and 2018. As such, these funds have been treated as current liabilities in the accompanying financial statements.

The Organization has received food donations that are, by contract, allocated to other food banks. Amounts of inventory on-site that were so allocated were \$443,447 and \$533,709 for September 30, 2019 and 2018, respectively. These amounts were not included in the final inventory as presented on the statement of financial position.

**14. Retirement plan:**

The Organization has a defined contribution 403(b) thrift plan, in which employees are eligible to participate on the first of the month following 30 days of employment. The Organization contributes 4% of the employees' annual salaries to the Plan regardless of whether the employees contributes any of their pretax wages to the Plan. The Organization also matches 50% of employees' contributions up to 4% of the employees' annual salaries. The employees vest at a rate of 25% per year and are fully vested after four years in the plan. The Organization's employer contributions were \$480,985 and \$497,363 to the for the years ended September 30, 2019 and 2018, respectively.