

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

**Table of Contents
June 30, 2020 and 2019**

	<u>Page</u>
Independent Auditors' Report	3-5
Statements of Financial Position	7
Statements of Activities	8-9
Statements of Functional Expenses	10-11
Statements of Cash Flows	12
Notes to Financial Statements	13-27
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30-32
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-37
Summary Schedule of Prior Audit Findings	38
List of Report Distribution	39



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Board of Directors
Second Harvest Food Bank
of Northwest Pennsylvania, Inc.
Erie, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Bank of Northwest Pennsylvania, Inc. (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Independent Auditors' Report
(Continued)

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest Food Bank of Northwest Pennsylvania, Inc. as of June 30, 2020 and 2019 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Independent Auditors' Report
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2020 on our consideration of Second Harvest Food Bank of Northwest Pennsylvania Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest Food Bank of Northwest Pennsylvania Inc.'s internal control over financial reporting and compliance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

August 18, 2020
Erie, Pennsylvania

This Page Intentionally Left Blank

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Financial Position

As of June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 2,234,286	\$ 619,768
Investments	3,751,896	3,902,876
Food inventory	1,748,005	1,736,336
Prepaid expenses	4,278	3,098
Accounts receivable - trade	9,923	71,859
Grants receivable	201,756	109,476
Contributions receivable	13,919	5,480
Total Current Assets	7,964,063	6,448,893
Property and equipment, net	3,409,589	3,423,433
 Other Assets		
Cash restricted for specific grants	508,137	418,890
Beneficial interest in Erie Community Foundation assets	204,765	204,796
Beneficial interest in Warren Community Foundation	160,662	132,386
Total Other Assets	873,564	756,072
Total Assets	\$ 12,247,216	\$ 10,628,398
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 51,016	\$ 157,656
Accrued liabilities	977,855	287,856
Other liabilities	347,006	-
Unearned grants	605,732	111,115
Total Current Liabilities	1,981,609	556,627
 Net Assets		
Without donor restrictions		
Investment in fixed assets	3,409,589	3,423,433
Unrestricted, undesignated	5,643,120	5,448,498
Board designated endowment	365,427	337,182
Total Net Assets Without Donor Restrictions	9,418,136	9,209,113
 With donor restrictions		
Contributed food	592,157	583,059
Other	255,314	279,599
Total Net Assets With Donor Restrictions	847,471	862,658
Total Net Assets	10,265,607	10,071,771
Total Liabilities and Net Assets	\$ 12,247,216	\$ 10,628,398

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Activities

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions		Total
		Donated Food	Other	
Support and Revenue				
Operating Revenue				
Contribution	\$ 2,362,772	\$ -	\$ 294,149	\$ 2,656,921
Other operating	1,951,233	-	-	1,951,233
Grant revenue	4,947,351	-	-	4,947,351
Donated food and non-cash donations	7,000	8,402,150	-	8,409,150
Bequests	47,325	-	-	47,325
Investment income/(loss)	68,664	-	-	68,664
Total Support and Revenue	9,384,345	8,402,150	294,149	18,080,644
Net Assets Released From Restrictions	8,711,486	(8,393,052)	(318,434)	-
Total Public Support, Revenue and Reclassifications	18,095,831	9,098	(24,285)	18,080,644
Expenses				
Program services	17,052,840	-	-	17,052,840
Management and general	460,046	-	-	460,046
Fundraising	373,922	-	-	373,922
Total Expenses	17,886,808	-	-	17,886,808
Change in Net Assets	209,023	9,098	(24,285)	193,836
Beginning Net Assets	9,209,113	583,059	279,599	10,071,771
Ending Net Assets	\$ 9,418,136	\$ 592,157	\$ 255,314	\$ 10,265,607

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions		Total
		Donated Food	Other	
Support and Revenue				
Operating Revenue				
Contribution	\$ 1,038,554	\$ -	\$ 441,138	\$ 1,479,692
Other operating	1,595,619	-	-	1,595,619
Grant revenue	4,471,046	-	-	4,471,046
Donated food and non-cash donations	5,100	8,720,030	-	8,725,130
Bequests	51,631	-	-	51,631
Investment income/(loss)	295,576	-	-	295,576
Total Support and Revenue	<u>7,457,526</u>	<u>8,720,030</u>	<u>441,138</u>	<u>16,618,694</u>
Net Assets Released From Restrictions	<u>9,386,441</u>	<u>(8,847,710)</u>	<u>(538,731)</u>	<u>-</u>
Total Public Support, Revenue and Reclassifications	<u>16,843,967</u>	<u>(127,680)</u>	<u>(97,593)</u>	<u>16,618,694</u>
Expenses				
Program services	15,650,581	-	-	15,650,581
Management and general	439,973	-	-	439,973
Fundraising	352,053	-	-	352,053
Total Expenses	<u>16,442,607</u>	<u>-</u>	<u>-</u>	<u>16,442,607</u>
Change in Net Assets	401,360	(127,680)	(97,593)	176,087
Beginning Net Assets	<u>8,807,753</u>	<u>710,739</u>	<u>377,192</u>	<u>9,895,684</u>
Ending Net Assets	<u>\$ 9,209,113</u>	<u>\$ 583,059</u>	<u>\$ 279,599</u>	<u>\$ 10,071,771</u>

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Functional Expenses

For the Year Ended June 30, 2020

	Program		Fundraising	2020 Total	
	Services	Supporting Services			
	Food Distribution	Management and General			
Operating Expenses					
Salaries	\$ 945,043	\$ 221,662	\$ 187,856	\$ 1,354,561	
Payroll taxes and employee benefits	398,132	93,678	79,398	571,208	
Building costs	77,331	8,506	-	85,837	
Depreciation expense	219,608	24,401	-	244,009	
Overhead expense	97,646	58,923	15,201	171,770	
Professional and investment fees	4,540	45,399	6,810	56,749	
Agency relations	-	-	7,233	7,233	
Transportation costs - freight	116,653	-	-	116,653	
Transportation costs - other	216,810	-	-	216,810	
Utilities	71,409	7,477	-	78,886	
Fundraising expense - direct mail and other fundraising costs	-	-	77,424	77,424	
Food purchases	2,032,624	-	-	2,032,624	
Other	24,596	-	-	24,596	
Total Operating Expenses	<u>4,204,392</u>	<u>460,046</u>	<u>373,922</u>	<u>5,038,360</u>	
Grant Expenses - Food Expenses					
State grant	389,350	-	-	389,350	
FEMA grant	82,471	-	-	82,471	
N.A.P. in kind food	679,660	-	-	679,660	
TEFAP	3,087,610	-	-	3,087,610	
CSFP	752,927	-	-	752,927	
PASS	58,710	-	-	58,710	
CFAP	84,328	-	-	84,328	
Total Grant Expenses	<u>5,135,056</u>	<u>-</u>	<u>-</u>	<u>5,135,056</u>	
Donated Food					
Donated food distributed	<u>7,713,392</u>	<u>-</u>	<u>-</u>	<u>7,713,392</u>	
Total Expenses	<u>\$ 17,052,840</u>	<u>\$ 460,046</u>	<u>\$ 373,922</u>	<u>\$ 17,886,808</u>	

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Functional Expenses

For the Year Ended June 30, 2019

	Program		Fundraising	2019 Total	
	Services	Supporting Services			
	Food Distribution	Management and General			
Operating Expenses					
Salaries	\$ 792,201	\$ 200,016	\$ 149,975	\$ 1,142,192	
Payroll taxes and employee benefits	359,240	90,586	67,810	517,636	
Building costs	69,311	7,077	-	76,388	
Depreciation expense	227,306	25,256	-	252,562	
Overhead expense	55,862	44,547	40,377	140,786	
Professional and investment fees	6,541	65,406	9,811	81,758	
Agency relations	-	-	7,399	7,399	
Transportation costs - freight	148,944	-	-	148,944	
Transportation costs - other	221,756	-	-	221,756	
Utilities	69,844	7,085	-	76,929	
Fundraising expense - direct mail and other fundraising costs	-	-	76,681	76,681	
Food purchases	1,437,637	-	-	1,437,637	
Other	5,799	-	-	5,799	
Total Operating Expenses	<u>3,394,441</u>	<u>439,973</u>	<u>352,053</u>	<u>4,186,467</u>	
Grant Expenses - Food Expenses					
State grant	420,050	-	-	420,050	
FEMA grant	78,900	-	-	78,900	
N.A.P. in kind food	335,129	-	-	335,129	
TEFAP	2,208,120	-	-	2,208,120	
CSFP	619,911	-	-	619,911	
PASS	81,449	-	-	81,449	
CFAP	-	-	-	-	
Total Grant Expenses	<u>3,743,559</u>	<u>-</u>	<u>-</u>	<u>3,743,559</u>	
Donated Food					
Donated food distributed	8,512,581	-	-	8,512,581	
Total Expenses	<u>\$ 15,650,581</u>	<u>\$ 439,973</u>	<u>\$ 352,053</u>	<u>\$ 16,442,607</u>	

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**

Statements of Cash Flows

For the Year Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	\$ 193,836	\$ 176,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	244,009	252,562
Realized and unrealized (gain)/loss on investments	85,825	(131,894)
(Increase) decrease in:		
Receivables	(38,783)	115,405
Prepaid expenses	(1,180)	(3,098)
Food inventory	(11,669)	(491,364)
Increase (decrease) in:		
Accounts payable	(106,640)	(19,978)
Accrued liabilities	689,999	62,699
Other liabilities	347,006	-
Unearned grants	494,617	111,115
	1,897,020	71,534
Net Cash Provided By Operating Activities		
Cash Flows From Investing Activities		
Proceeds from sale of investments	794,564	6,768,661
Purchases of investments	(757,654)	(6,656,201)
Purchases of property and equipment	(230,165)	(156,973)
Change in cash restricted for specific grants	(89,247)	(285,868)
	(282,502)	(330,381)
Net Cash Used In Investing Activities		
Increase (Decrease) in Cash and Cash Equivalents	1,614,518	(258,847)
Beginning Cash and Cash Equivalents	619,768	878,615
Ending Cash and Cash Equivalents	\$ 2,234,286	\$ 619,768

See accompanying notes to financial statements.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**
Notes to Financial Statements
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Food Bank are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

A Food Bank is an organization that collects product from the food industry and food drives, inventories and stores it, and distributes it to agencies - such as food pantries, soup kitchens, kid's cafes, backpack programs and shelters - that provide food directly to individuals in need. A food bank has the capacity to distribute millions of pounds of grocery products every year.

The Second Harvest Food Bank of NW PA, Inc. (Food Bank) is the largest non-profit food distribution organization in northwestern Pennsylvania. The mission is to provide food to those in need within eleven counties of northwest Pennsylvania while creating awareness and educating the community on the realities of hunger. Second Harvest solicits and then distributes food to partner organizations. According to the most recent Map the Meal Gap study conducted by Feeding America, 12.2% of the population or 85,420 individuals residing within Second Harvest's 11 county service area of Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, McKean, Venango and Warren counties are considered to be food insecure. Many of these seniors, adults and children are seeking emergency food relief from Second Harvest's anti-hunger network. During 2019-2020, Second Harvest distributed more than 12.3 million pounds of food to 274-member agencies and 121 distribution sites for the Commodity Supplemental Food Program for low-income seniors.

B. Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting, which generally recognizes revenue when earned and expenses when incurred.

During 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, "*Presentation of Financial Statements of Not-for-profit Entities.*" Under FASB ASU 2016-14, Second Harvest Food Bank of NW PA, Inc. is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash Balances, Cash Equivalents, Concentration of Risk and Restricted Cash

The Food Bank considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash balances are maintained at institutions in northwestern Pennsylvania. Bank accounts were insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution account at June 30, 2020. At June 30, 2020 and 2019, the bank balances were \$2,624,674 and \$750,369, respectively, of which \$532,660 and \$527,129, respectively, was covered by FDIC insurance and the remainder was uninsured. Cash equivalents held in brokerage accounts are not federally insured. Balances in these funds at June 30, 2020 and 2019 are \$143,890 and \$278,725, respectively.

The Food Bank has entered into grant agreements that require the funds received and used for the grant to be deposited into a separate cash account. This account is reported as cash restricted for specific grants on the statement of financial position.

D. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities 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 restricted by a donor are reported as increases in net assets without donor restrictions 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.

E. Food Inventory

Food inventory consists of purchased and donated food. Purchased food is valued at cost on a lower of cost or market basis on the first-in, first-out method. Donated food has been donated by the public. Food received through the Emergency Food Assistance Program is valued at estimated cost provided by the program. All other food donations are valued at \$1.62 and \$1.68 per gross pound for the year ended June 30, 2020 and 2019, respectfully. Feeding America, the national food bank network, determined this value. KPMG, LLP performed certain agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants solely to assist food banks with respect to determining the approximate average wholesale value of one pound of donated product at the national level.

F. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization 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. The Organization expects to receive all contribution receivables in the following year.

G. Concentration of Credit Risk

The Food Bank grants credit to its customers for service fees in the course of business, conducts periodic evaluations and generally requires no collateral. Cash receipts come generally from service fees, government grants, and contributions.

The maximum amount of loss due to credit risk that, based on the gross fair value of the accounts receivable balance the Food Bank would incur if parties failed to perform according to the terms of the contracts, is limited to the balance in the accounts receivable account.

The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. The Organization anticipates receiving all receivables as of June 30, 2020.

H. Property and Equipment

The Food Bank generally capitalizes property and equipment at cost. Expenditures for renewals and betterments generally greater than \$1,000 are capitalized; repairs and maintenance are expensed. Donated equipment is capitalized at its estimated fair value upon receipt. Depreciation and depreciable fixed assets are computed using the straight-line method over estimated useful lives beginning when the assets are placed in service.

I. Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence or nature of any donor restrictions. Such contributions are required to be reported as with donor restrictions support and are then reclassified to net assets without donor restriction upon expiration of the donor restrictions.

Donated food is restricted to feeding the needy. The Food Bank recognizes the value of contributed food as with donor restrictions support when received and records the restriction as released when distributed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Contributed Services

Services provided which create or enhance nonfinancial assets or require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. These services are recognized in the financial statements at the fair value of services provided.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Food Bank in its food distribution facilities. These services are not recognized in the financial statements.

K. Shipping and Handling Costs

Costs of shipping and handling inventory are expensed as incurred. Inventory on the statement of net assets is largely determined on a dollar per pound basis and no additional costs are added to it.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

M. Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold.

N. Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to the nearness of their maturity and resulting use of cash.

O. Functional Allocation of Expenses

Salaries, benefits and taxes are allocated to functional expenses based on time employees spend on each specific function. The remaining expenses are allocated wherever practical or are based on another equitable method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. **Accounting Pronouncement Adopted**

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit Entities: Topic 958: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The Food Bank adopted this ASU on July 1, 2019.

The Food Bank implemented ASU 2018-08 using a modified prospective method of application. The adoption of ASU 2018-08 resulted in changes to the disclosure of revenue and contributions. There were no material changes to the recognition or presentation of revenue and contributions as a result of the application of ASU 2018-08.

Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended the revenue recognition standards with the issuance of ASU 2014-09, *Revenue from Contracts with Customers*. This ASU replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019. The Food Bank is in the process of evaluating the impact the standard will have on the financial statements for the year ending June 30, 2021.

NOTE 2 – BENEFICIAL INTEREST IN FOUNDATION ASSETS

In June 2009, the Organization transferred \$187,500 to the Erie Community Foundation. This irrevocable gift was used to establish a fund to benefit the Food Bank. The net income from the fund will be used exclusively to support the Food Bank as long as they operate as a non-profit organization and continue to fill local needs. Should the Organization's mission become for-profit, inconsistent with local needs or impossible to accomplish, the Foundation may vary the agreement to insure it is consistent with the Organization's original intent. That is, the Organization explicitly grants variance power to the Foundation. Net income (loss) is defined as a percentage of the fund market value. Net income (loss) from the fund recognized in the year ended June 30, 2020 and 2019 was \$(31) and \$660, respectively. The fair market value at June 30, 2020 and 2019 was \$204,765 and \$204,796, respectively.

In August 2014, the Organization transferred \$25,000 to the Warren Community Foundation. The irrevocable gift was used to establish a fund to benefit the Food Bank. The net income from the fund will be used exclusively to support the Food Bank's programs in Warren County. Should the Food Bank's mission become impossible to accomplish or should the Food Bank cease to exist, the Foundation shall ensure the funds are utilized in a manner which is consistent with the original intent of the fund. That is, the Food Bank explicitly grants variance power to the Foundation. The Food Bank retains the option to withdraw principal from the funds with the stipulation that the fund shall not go below \$5,000. Net income (loss) from the fund for the year ended June 30, 2020 and 2019 was \$28,276 and \$22,489, respectfully. The fair market value at June 30, 2020 and 2019 was \$160,662 and \$132,386, respectfully.

NOTE 3 – FAIR VALUE OF ASSETS

The Organization's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

Fair value is measured based on a fair value hierarchy based on three levels of inputs of which the first two are considered observable and the last is considered unobservable.

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE 3 – FAIR VALUE OF ASSETS (CONTINUED)

The assets 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis include the following at June 30, 2020:

		<u>Level 1</u>	<u>Level 3</u>
Investments:			
Fixed income-exchange traded funds	\$ -	\$ -	\$ -
Equity- exchange traded funds	576,007	576,007	-
Equity - mutual funds	1,992,707	1,992,707	-
Fixed income - mutual funds	<u>1,343,844</u>	<u>1,343,844</u>	<u>-</u>
	<u>\$ 3,912,558</u>	<u>\$ 3,912,558</u>	<u>\$ -</u>
Beneficial interest in Erie Community			
Foundation assets	<u>\$ 204,765</u>	<u>\$ -</u>	<u>\$ 204,765</u>

Assets measured at fair value of a recurring basis include the following at June 30, 2019:

		<u>Level 1</u>	<u>Level 3</u>
Investments:			
Fixed income-exchange traded funds	\$ 4,826	\$ 4,826	\$ -
Equity- exchange traded funds	637,010	637,010	-
Equity - mutual funds	2,065,978	2,065,978	-
Fixed income - mutual funds	<u>1,327,448</u>	<u>1,327,448</u>	<u>-</u>
	<u>\$ 4,035,262</u>	<u>\$ 4,035,262</u>	<u>\$ -</u>
Beneficial interest in Erie Community			
Foundation assets	<u>\$ 204,796</u>	<u>\$ -</u>	<u>\$ 204,796</u>

NOTE 3 – FAIR VALUE OF ASSETS (CONTINUED)

Investments reported above consist of the following reported on the statement of financial position as of:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Investments	\$ 3,751,896	\$ 3,902,876
Beneficial interest in – Warren Community Foundation	<u>160,662</u>	<u>132,386</u>
	<u>\$ 3,912,558</u>	<u>\$ 4,035,262</u>

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 June 30, 2020.

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

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. The funds held by the Organization are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

Beneficial interest in Erie Community Foundation assets: The Organization’s valuation methodology used to measure the fair value of funds held at the Erie Community Foundation (ECF) relies upon information provided by ECF personnel. The Organization’s share of the investment pool at ECF is based on the underlying fair values of the investments consisting of all three hierarchy levels; this is classified within Level 3 of the valuation hierarchy.

The assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the beneficial interest with the Erie Community Foundation and had the following changes during the year ended June 30, 2020 and 2019:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Beginning balance	\$ 204,796	\$ 204,136
Contributions	257	-
Interest and dividends	2,499	3,450
Unrealized gain/(losses)	588	1,934
Realized gain/(losses)	(1,129)	5,431
Withdrawal	(7)	(7,900)
Investment/management fees	<u>(2,239)</u>	<u>(2,255)</u>
	<u>\$ 204,765</u>	<u>\$ 204,796</u>

NOTE 4 – AFFILIATE RELATIONSHIP

The Food Bank is an affiliate of the non-profit food banking network of Feeding America, formerly named America’s Second Harvest. As such, the Food Bank is restricted to a service area, required to pay an affiliate fee, receives access to an affiliate-only food bank exchange, and receives an annual valuation per pound of donated food.

NOTE 5 – FOOD INVENTORY

Food inventory consists of donated food, purchased food, and grant commodities. Inventory at June 30, 2020 and 2019 is as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Donated food	\$ 592,157	\$ 583,059
Purchased food	628,418	218,973
Grant commodities	<u>527,430</u>	<u>934,304</u>
	<u>\$ 1,748,005</u>	<u>\$ 1,736,336</u>

NOTE 6 – AGENCY SERVICE FEES AND FOOD GRANTS

The Food Bank generally charges service fees of \$.15 per pound for donated items to emergency agencies, \$.17 per pound for donated items to non-emergency agencies and \$.14 per pound for “Trade Mitigation Commodities”. The Food Bank also receives \$.12 per pound for “Entitlement Commodities” which qualify under the United States Department of Agriculture, The Emergency Food Assistance Program (TEFAP). The Food Bank does not receive a service fee reimbursement for food received through the federal TEFAP “Bonus Commodities” program. Member agencies take grocery items and redistribute these items to the poor, needy and hungry. The fee charged to member agencies offsets a portion of the handling and redistribution costs incurred by the Food Bank. Per pound costs to the Food Bank are calculated annually. For the year ended June 30, 2020, it cost the Food Bank \$.24 to provide one pound of food to member agencies. However, because grocery items are distributed at no cost or because grants and contributions are solicited to directly pay agency service fees, member agencies paid on average \$.05 per pound for food received by the Food Bank last fiscal year. Trade receivables include unpaid service fees as of June 30, 2020.

The Food Bank also purchases commodities from brokers and makes these items available to member agencies. To obtain these items, agencies reimburse the Food Bank the case cost and also pays their respective service fees of either \$.15 or \$.17 per pound. The pounds and costs associated with these items are not included in the average cost paid by agencies mentioned above.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consists of:

	<u>2020</u>	<u>2019</u>
Land	\$ 173,139	\$ 173,139
Land improvements	34,903	32,323
Building	4,044,667	4,044,667
Warehouse equipment	595,722	543,961
Office furniture and equipment	220,399	190,046
Vehicles	1,164,190	1,050,030
	6,233,020	6,034,166
Less: Accumulated depreciation	<u>(2,823,431)</u>	<u>(2,610,733)</u>
	<u>\$ 3,409,589</u>	<u>\$ 3,423,433</u>

Estimated useful lives are as follows:

Land improvements	15 years
Building	40 years
Warehouse equipment	5-10 years
Office furniture and equipment	3-8 years
Vehicles	3-5 years
Leasehold improvements	5-31 years

Grants received by the Food Bank have been used to purchase refrigerators and freezers for their agencies. The equipment is owned and depreciated by the Food Bank, although it is not currently used in their operations. If the donor agency ceases to exist while the equipment is operational, the agencies have agreed to return this equipment. The carrying amount for these assets is \$5,390 for the year ended June 30, 2020. The Food Bank implies a time restriction that expires over the useful life of these donated assets.

NOTE 8 – MANAGEMENT OF FINANCIAL RESOURCES AND LIQUIDITY

The Organization is primarily funded through program revenue; however, revenue is also generated through investment earnings, grants and donor contributions. All programs and investment revenues are readily available to support the operations of the Organization; however, certain contributions and grants may have donor-imposed restrictions. Such restrictions require that the resources be used in a certain manner or in a future period. Therefore, the Organization must maintain adequate resources to meet those responsibilities to its donors and certain financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization structures its financial assets to be available as general expenditures and liabilities become due.

NOTE 8 – MANAGEMENT OF FINANCIAL RESOURCES AND LIQUIDITY
(CONTINUED)

The Organization’s available financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available for general use due to donor-imposed restrictions, are noted below. Amounts that are not available also include net assets consisting of the Organization’s fixed assets, net of related debt and board designations including the board designated endowment:

	<u>2020</u>	<u>2019</u>
Total Assets as of June 30	\$ 12,247,216	\$ 10,628,398
less those unavailable for general expenditure within one year due to:		
Donor restrictions	(847,471)	(862,658)
Fixed assets, net of related debt	(3,409,589)	(3,423,433)
Board designations:		
Endowment fund	<u>(365,427)</u>	<u>(337,182)</u>
Financial Assets available for use within one year	<u>\$ 7,624,729</u>	<u>\$ 6,005,125</u>

NOTE 9 – BOARD DESIGNATED ENDOWMENT

The Organization’s endowment includes funds designated by the Board of Directors as an endowment. The purpose of this endowment is to develop and stimulate an alternative source of funds to supplement the Organization’s other funding sources. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has an agency endowment agreement with ECF. ECF pools these funds with the funds received from various other organizations. The pooled funds are then utilized to create an investment portfolio that is managed and administered by ECF. ECF is responsible for allocating to the Organization their respective share of the investment portfolio’s performance. ECF annually determines the investment income allocated to the Food Bank which can be distributed to the Food Bank.

The Organization has an agency endowment agreement with the Warren Community Foundation. The Foundation has setup a separate investment account to track the Organization’s endowment. The Foundation annually determines the investment income which can be distributed to the Organization.

NOTE 9 – BOARD DESIGNATED ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The current relevant law for the investment and distribution of restricted endowment and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Since the Organization has no restricted endowment, Act 141 does not apply.

Changes in endowment net assets for the year ended June 30, 2020:

	Erie Community Foundation	Warren Community Foundation
Beginning balance	\$ 204,796	\$ 132,386
Contributions and deposits	257	23,826
Interest and dividends	2,499	3,216
Unrealized/realized gains/(losses)	(541)	6,549
Withdrawal	(7)	(4,907)
Investment/management fees	<u>(2,239)</u>	<u>(408)</u>
Ending balance	<u>\$ 204,765</u>	<u>\$ 160,662</u>

Changes in endowment net assets for the year ended June 30, 2019:

	Erie Community Foundation	Warren Community Foundation
Beginning balance	\$ 204,136	\$ 104,897
Contributions and deposits	-	24,005
Interest and dividends	3,450	2,893
Unrealized/realized gains/(losses)	7,365	5,827
Withdrawal	(7,900)	(4,913)
Investment/management fees	<u>(2,255)</u>	<u>(323)</u>
Ending balance	<u>\$ 204,796</u>	<u>\$ 132,386</u>

Return Objectives and Risk Parameters

The Board of Directors has adopted an investment policy for financial assets that attempts to support the long-term objectives of the Organization. The objectives include funding operational cash flow shortfalls, providing relative stability of principal, and maximizing total investment return.

NOTE 9 – BOARD DESIGNATED ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

In accordance with the objectives, the total portfolio should be constructed and maintained to minimize the risk of large losses to principal. To satisfy these objectives, the Organization has developed an allocation strategy to maximize total return while minimizing exposure of principal assets in the long run. The Organization targets a diversified asset allocation in equity-based investments and in high quality fixed income investments.

Spending Policy and How the Investment Objectives Related to Spending Policy

The endowment trustees distribute funds as stipulated by the Organization and within the purpose of the trust as outlined in the endowment governing documents for the named funds.

NOTE 10 – NEIGHBORHOOD ASSISTANCE GRANT

The Neighborhood Assistance Act Program is funded by contributions from businesses within Pennsylvania. Contributors receive Pennsylvania income tax credits of 55% of the valued contributed amount. The grant consists of both cash and in-kind contributions of food. Cash contributions were used to fund freight charges on food donations. Donated food eligible for this credit is included in total contributed food. Tax credits under the contract were \$272,871 and \$500,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions:

	<u>2020</u>	<u>2019</u>
Food inventory	\$ 592,157	\$ 583,059
Produce express donations	-	41,813
Backpack program donations	130,419	103,835
Thanksgiving program donations	3,044	37,534
Other restricted donations	<u>121,851</u>	<u>96,417</u>
	<u>\$ 847,471</u>	<u>\$ 862,658</u>

NOTE 12 – CONTRIBUTED SERVICES

Contributed services, which met the definition for recognition during the year ended June 30, 2020, are largely comprised of professional fees. Recognized contributed services total \$7,000 for the year ended June 30, 2020. Contributed services were used in administration of the Food Bank. The fair value of unrecognized services has not been determined.

NOTE 13 – JOINT FUNDRAISING COSTS

Joint costs have been incurred in activities that include management and general and fundraising. Salaries have been allocated based on estimated percentage of time spent in fundraising activities. Salaries with joint costs allocated to management and general and fundraising were as follows:

Management and general	\$ 100,699
Fundraising	<u>85,066</u>
	<u>\$ 185,765</u>

NOTE 14 – RETIREMENT PLAN

The Food Bank maintains a profit-sharing plan which covers substantially all full-time employees who meet certain eligibility requirements and choose to participate. The Organization matched up to 5% of the employee contributions. In addition, the Board of Directors will annually determine if they will make a discretionary contribution up to 5% of eligible employee compensation. Employees are fully vested within six years. The accrual is based on past practice of the Board, which has not yet determined a contribution percentage. During the year ended June 30, 2020 and 2019, profit sharing expense was \$84,791 and \$79,499, respectively.

NOTE 15 – RELATED PARTY TRANSACTIONS

The following related party transactions were for services performed within the nature of the Organization and were consummated on terms similar to those in arms-length transactions.

Legal expenses are provided by a firm in which a partner is a Board member. Amounts paid for legal services totaled \$259 for the year ended June 30, 2020.

Computer programming and equipment are provided by a company which is owned by a Board member. Amounts paid for computer programming and equipment totaled \$4,697 for the year ended June 30, 2020.

NOTE 16 – THE CARES ACT AND THE PAYCHECK PROTECTION PROGRAM

In March 2020, the federal government passed the CARES Act (the ACT); one of the provisions of the ACT was the Paycheck Protection Program (PPP), which provided loans to eligible organizations to be used for payroll and certain other costs. If the organization meets certain requirements, the loan may be forgiven, partially or in full. The Food Bank received \$347,006 in PPP loan funds; at the issuance of these financial statements, the amount of loan forgiveness has not yet been determined. This PPP loan is classified as Other Liabilities on the Statement of Financial Position.

NOTE 17 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date of the Independent Auditor's report, the date at which the financial statements were available to be issued.



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' 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 Directors
Second Harvest Food Bank of
Northwest Pennsylvania, Inc.
Erie, Pennsylvania

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 Northwest Pennsylvania, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the 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 August 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Independent Auditors' 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*
(Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Felix and Gloekler, P.C.

August 18, 2020
Erie, Pennsylvania



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

Board of Directors
Second Harvest Food Bank of
Northwest Pennsylvania, Inc.
Erie, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of Northwest Pennsylvania, Inc.'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 Northwest Pennsylvania, Inc.'s major federal programs for the year ended June 30, 2020. Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance
(Continued)**

An audit includes examining, on a test basis, evidence about Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of Northwest Pennsylvania, Inc. 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 June 30, 2020.

Report on Internal Control Over Compliance

Management of Second Harvest Food Bank of Northwest Pennsylvania, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of Northwest Pennsylvania, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance
(Continued)**

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Felix and Gloekler, P.C.

August 18, 2020
Erie, Pennsylvania

This Page Intentionally Left Blank

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020**

Program	Federal CFDA Number	Pass-through Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through Pennsylvania Department of Agriculture				
Commodity Supplemental Food Program - Commodities	10.565	N/A	\$ -	\$ 838,683
Commodity Supplemental Food Program - Program Funds	10.565	N/A	-	193,032
			<u>-</u>	<u>1,031,715</u>
		446508, 446510, 446610		
The Emergency Food Assistance Program - Commodities	10.569			
Passed through:				
Pennsylvania Department of Agriculture			2,815,974	2,815,974
Erie County			206,944	206,944
Forest County			3,792	3,792
Clarion County			33,693	33,693
Jefferson County			34,091	34,091
			<u>3,094,494</u>	<u>3,094,494</u>
		446508, 446510, 446610		
The Emergency Food Assistance Program - Program Funds	10.568			
Passed through:				
Erie County			-	45,251
Forest County			-	727
Clarion County			-	7,581
Jefferson County			-	7,468
Trade Mitigation			-	325,661
			<u>-</u>	<u>386,688</u>
Total Food Distribution Cluster			<u>3,094,494</u>	<u>4,512,897</u>
Total U.S. Department of Agriculture			<u>3,094,494</u>	<u>4,512,897</u>
Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	724200-001	-	82,471
Total Expenditures of Federal Awards			<u>\$ 3,094,494</u>	<u>\$ 4,595,368</u>

See accompanying notes to the schedule.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Second Harvest Food Bank of Northwest Pennsylvania, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this 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 Second Harvest Food Bank of Northwest Pennsylvania, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) 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.
- (2) Pass-through entity identifying numbers are presented where available.

NOTE 3 – INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – FOOD DONATIONS

Food received through The Food Distribution Cluster is valued at estimated cost provided by the program. At June 30, 2020, the Organization had food commodities from the program totaling \$527,430 in inventory.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

1. Summary of auditors' results

- (i) Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified opinion.
- (ii) Internal control over financial reporting:
 - Material weakness(es) identified – No
 - Significant deficiency(ies) identified – None reported
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Internal control over major federal programs:
 - Material weakness(es) identified – No
 - Significant deficiency(ies) identified – None reported
- (v) Type of auditor's report issued on compliance for major federal programs: Unmodified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported, in accordance with 2 CFR 200.51 6(a).
- (vii) Major programs:

Food Distribution Cluster		
Commodity Supplemental Food Program		CFDA # 10.565
The Emergency Food Assistance		
Program -	Program Funds	CFDA # 10.568
The Emergency Food Assistance		
Program -	Commodities	CFDA # 10.569
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (ix) Second Harvest Food Bank of Northwest Pennsylvania, Inc. did qualify as a low-risk auditee.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**
Schedule of Findings and Questioned Costs (continued)
For the Year Ended June 30, 2020

2. Material findings required to be reported in accordance with generally accepted government auditing standards

None.

3. Findings and questioned costs for Federal awards

None.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

1. Prior significant deficiencies: None.
2. Prior material noncompliance with provisions of laws, regulations, contracts, or grant agreements related to a major program: None.
3. Known questioned costs greater than \$25,000: None.

**SECOND HARVEST FOOD BANK
OF NORTHWEST PENNSYLVANIA, INC.**
List of Report Distribution
For the Year Ended June 30, 2020

The following is a list of all agencies to which the audit reports are distributed:

1. United States Bureau of the Census
2. Pennsylvania Bureau of Audits