



**AUDITED
FINANCIAL STATEMENTS**

**YEARS ENDED
JUNE 30, 2021 AND 2020**

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Second Harvest Food Bank of North Central Ohio
Lorain, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Bank of North Central Ohio (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' 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 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 audits 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 auditors' 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 North Central Ohio as of June 30, 2021 and 2020, 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2021, on our consideration of Second Harvest Food Bank of North Central Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Second Harvest Food Bank of North Central Ohio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest Food Bank of North Central Ohio's internal control over financial reporting and compliance.

Barnes Wendling CPAs

Sheffield Village, Ohio
October 26, 2021

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Statements of Financial Position

	June 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 4,979,951	\$ 2,822,852
Grants receivable	95,195	133,005
Accounts receivable	35,428	57,275
Prepaid expenses	45,836	31,083
Inventory	1,332,173	1,465,805
Investments	3,562,395	2,104,163
Beneficial interest in community foundations	121,104	94,684
Property and equipment, net	4,539,496	4,473,512
	<u>\$ 14,711,578</u>	<u>\$ 11,182,379</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 7,986	\$ 62,498
Accrued payroll and payroll taxes	92,238	88,615
Paycheck Protection Program loan	-0-	277,761
	100,224	428,874
Net Assets		
Without donor restriction:		
General	8,045,954	5,076,228
Net investment in property and equipment	4,539,496	4,473,512
Board designated endowment	121,104	94,684
	12,706,554	9,644,424
With donor restriction	1,904,800	1,109,081
	14,611,354	10,753,505
	<u>\$ 14,711,578</u>	<u>\$ 11,182,379</u>

See Notes to Financial Statements

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2021		
	Without Donor Restriction	With Donor Restriction	Total
Support			
Government grants and contracts	\$ 864,723	\$ 457,823	\$ 1,322,546
Contributed food	16,290,588	-0-	16,290,588
Contributions, grants, and bequests	2,943,125	2,713,178	5,656,303
Paycheck Protection Program loan forgiveness	277,761	-0-	277,761
	<u>20,376,197</u>	<u>3,171,001</u>	<u>23,547,198</u>
Revenue			
Shared maintenance fees	65,276	-0-	65,276
Sales of food products	373,174	-0-	373,174
Investment income, net	573,265	-0-	573,265
Change in beneficial interest in community foundations	26,420	-0-	26,420
	<u>1,038,135</u>	<u>-0-</u>	<u>1,038,135</u>
Net assets released from restrictions	<u>2,375,282</u>	<u>(2,375,282)</u>	<u>-0-</u>
Total support and revenue	<u>23,789,614</u>	<u>795,719</u>	<u>24,585,333</u>
Expenses			
Program services			
Food distribution	19,974,070	-0-	19,974,070
Support services			
Management and general	245,462	-0-	245,462
Fundraising	507,952	-0-	507,952
Total expenses	<u>20,727,484</u>	<u>-0-</u>	<u>20,727,484</u>
Changes in net assets	3,062,130	795,719	3,857,849
Net assets, beginning of year	<u>9,644,424</u>	<u>1,109,081</u>	<u>10,753,505</u>
NET ASSETS, end of year	<u>\$ 12,706,554</u>	<u>\$ 1,904,800</u>	<u>\$ 14,611,354</u>

See Notes to Financial Statements

	Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restriction	Total
Support			
Government grants and contracts	\$ 736,541	\$ 5,000	\$ 741,541
Contributed food	13,110,371	-0-	13,110,371
Contributions, grants, and bequests	2,477,729	2,036,278	4,514,007
	<u>16,324,641</u>	<u>2,041,278</u>	<u>18,365,919</u>
Revenue			
Shared maintenance fees	176,712	-0-	176,712
Sales of food products	405,846	-0-	405,846
Investment income, net	88,368	-0-	88,368
Change in beneficial interest in community foundations	(2,430)	-0-	(2,430)
	<u>668,496</u>	<u>-0-</u>	<u>668,496</u>
Net assets released from restrictions	<u>1,778,939</u>	<u>(1,778,939)</u>	<u>-0-</u>
Total support and revenue	<u>18,772,076</u>	<u>262,339</u>	<u>19,034,415</u>
Expenses			
Program services			
Food distribution	15,390,779	-0-	15,390,779
Support services			
Management and general	217,724	-0-	217,724
Fundraising	429,670	-0-	429,670
Total expenses	<u>16,038,173</u>	<u>-0-</u>	<u>16,038,173</u>
Changes in net assets	2,733,903	262,339	2,996,242
Net assets, beginning of year	<u>6,910,521</u>	<u>846,742</u>	<u>7,757,263</u>
NET ASSETS, end of year	<u>\$ 9,644,424</u>	<u>\$ 1,109,081</u>	<u>\$ 10,753,505</u>

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Statements of Functional Expenses

	Year Ended June 30, 2021			
	Program	Management	Fundraising	Total
Salaries and wages	\$ 887,751	\$ 168,992	\$ 205,925	\$ 1,262,668
Payroll taxes and benefits	333,614	48,129	60,241	441,984
Food distributed	17,778,376	-0-	-0-	17,778,376
Food purchases, processing, and fees	1,500	-0-	-0-	1,500
Professional fees and contracts	28,785	313	394	29,492
Repairs and maintenance	114,928	500	546	115,974
Supplies	166,507	1,679	735	168,921
Telephone	15,899	480	480	16,859
Dues and fees	14,079	-0-	-0-	14,079
Utilities	71,090	1,626	1,626	74,342
Insurance	8,360	1,800	-0-	10,160
Mileage	3,456	-0-	-0-	3,456
Freight	157,987	-0-	-0-	157,987
Printing and postage	21,586	500	151,771	173,857
Promotions	7,681	-0-	64,881	72,562
Conferences, meetings, and education	24,566	1,520	-0-	26,086
Depreciation and amortization	251,183	19,923	310	271,416
Agency grants	58,668	-0-	-0-	58,668
Miscellaneous	28,054	-0-	21,043	49,097
	<u>\$ 19,974,070</u>	<u>\$ 245,462</u>	<u>\$ 507,952</u>	<u>\$ 20,727,484</u>
	<u>96.3%</u>	<u>1.2%</u>	<u>2.5%</u>	<u>100.0%</u>

See Notes to Financial Statements

	Year Ended June 30, 2020			
	Program	Management	Fundraising	Total
Salaries and wages	\$ 757,496	\$ 145,954	\$ 177,538	\$ 1,080,988
Payroll taxes and benefits	324,416	54,052	68,039	446,507
Food distributed	13,498,947	-0-	-0-	13,498,947
Food purchases, processing, and fees	1,745	-0-	-0-	1,745
Professional fees and contracts	39,237	3,490	3,578	46,305
Repairs and maintenance	89,992	175	175	90,342
Supplies	69,341	1,336	233	70,910
Telephone	16,459	431	362	17,252
Dues and fees	19,448	-0-	1,904	21,352
Utilities	68,128	1,507	1,506	71,141
Insurance	9,472	1,800	-0-	11,272
Mileage	8,351	1,552	753	10,656
Freight	122,154	-0-	-0-	122,154
Printing and postage	31,596	1,079	120,717	153,392
Promotions	25,608	2,250	41,074	68,932
Conferences, meetings, and education	8,177	1,526	120	9,823
Depreciation and amortization	249,427	2,541	2,541	254,509
Miscellaneous	50,785	31	11,130	61,946
	<u>\$ 15,390,779</u>	<u>\$ 217,724</u>	<u>\$ 429,670</u>	<u>\$ 16,038,173</u>
	<u>95.9%</u>	<u>1.4%</u>	<u>2.7%</u>	<u>100.0%</u>

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Changes in net assets	\$ 3,857,849	\$ 2,996,242
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	271,416	254,509
Paycheck protection program loan forgiveness	(277,761)	-0-
Realized and unrealized gain on investments	(512,409)	(27,493)
(Gain) loss from board designated funds held by third party	(26,420)	2,430
Change in contributed and government inventory	127,633	(615,687)
(Increase) decrease in assets		
Promises to give - capital campaign	-0-	6,000
Grants receivable	37,810	(1,510)
Accounts receivable	21,847	(18,759)
Prepaid expenses	(14,753)	4,566
Inventory	5,999	(124,563)
Increase (decrease) in liabilities		
Accounts payable	(54,512)	59,610
Accrued payroll and payroll taxes	3,623	2,217
Net cash and cash equivalents provided by operating activities	3,440,322	2,537,562
Cash Flows From Investing Activities		
Purchases of property and equipment	(337,400)	(9,005)
Purchases of investments	(959,645)	(530,675)
Proceeds from the sale of investments	13,822	107,178
Net cash and cash equivalents used in investing activities	(1,283,223)	(432,502)
Cash Flows From Financing Activities		
Proceeds from paycheck protection program loan	-0-	277,761
Net cash and cash equivalents provided by financing activities	-0-	277,761
Net increase in cash and cash equivalents	2,157,099	2,382,821
Cash and cash equivalents at beginning of year	2,822,852	440,031
Cash and cash equivalents at end of year	\$ 4,979,951	\$ 2,822,852

See Notes to Financial Statements

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Second Harvest Food Bank of North Central Ohio (the Organization), a non-governmental, non-profit organization established under the laws of the State of Ohio, grows hope in north central Ohio by creating pathways to nutritious food.

Basis of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Furthermore, the accounting policies adhered to by the Organization are generally consistent with the *Audit and Accounting Guide for Not-For-Profit Entities* issued by the American Institute of Certified Public Accountants.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions

Net assets not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those 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 resources to be maintained in perpetuity.

Cash and Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity date of three months or less to be cash equivalents. Cash and cash equivalents excludes any cash or cash equivalents maintained in a professionally managed investment account. The Organization maintains cash balances in a local bank. Cash balances are insured by the Federal Deposit Insurance Corporation. The Organization's cash balances may exceed the insured limits from time to time.

Accounts Receivable

Accounts receivable consist of shared maintenance fees due from partner charities of \$35,428 and \$57,275 as of June 30, 2021 and 2020, respectively. Shared maintenance and delivery fees are due on the 30th day of the month following billing and bear no interest on the unpaid balance.

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with partner charities having outstanding balances and current relationships with them, it has concluded that no allowance for doubtful accounts is required as of June 30, 2021 and 2020.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Management individually reviews all outstanding accounts receivable balances. Accounts are written off when deemed uncollectible. Bad debt expense was \$-0- for the years ended June 30, 2021 and 2020.

Inventory

Inventory consists of food, personal hygiene products, and cooking and cleaning supplies contributed to the Organization or purchased by the Organization to supplement donations. Inventory is valued at the purchase price or the value provided by the grantor at the time of donation. If the value is not provided, inventory is recorded at \$1.79 and \$1.74 per pound as of June 30, 2021 and 2020, respectively. The \$1.79 and \$1.74 per pound value used in the accompanying financial statements were determined by independent agreed-upon procedures engagements performed as of December 31, 2020 and 2019 by firms engaged by Feeding America and independent from Second Harvest Food Bank of North Central Ohio. Their reports dated June 30, 2021 and June 30, 2020, respectively, outlined the procedures used in determining the per pound values. As of June 30, 2021 and 2020, the Organization had 1,203,016 and 1,195,192 pounds of food and non-food items in its warehouse, respectively.

Property and Equipment

The Organization capitalizes all long-lived assets costing or having a donated value greater than \$2,500 and a useful life in excess of one year. Property and equipment are recorded at historical cost or fair market value for donated items. Property and equipment is being depreciated using the straight-line method over the assets' estimated useful lives. Property and equipment are accounted for as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Building and improvements	15 - 40 Years
Computer software	3 Years
Furniture and fixtures	5 - 7 Years
Warehouse equipment	5 - 15 Years
Vehicles	7 - 10 Years

All expenses for repairs and maintenance are expensed in the period incurred.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Accounting standards establish fair value as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and establishes a fair value hierarchy based upon the inputs used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets accessible at the measurement date for identical unrestricted assets or liabilities (for example, exchange quoted prices).

Level 2 - Inputs to the valuation methodology are observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets not sufficiently active to qualify as Level 1, other observable inputs, or inputs corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs to the valuation methodology are significant to the fair value measurement and unobservable (for example, supported by little or no market activity).

Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

The Organization's investments accounted at fair value as of June 30, 2021 are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 204,323	\$ -0-	\$ -0-	\$ 204,323
Fixed income mutual funds	870,356	-0-	-0-	870,356
Alternative investments	218,729	-0-	-0-	218,729
Equity mutual funds	<u>2,268,987</u>	<u>-0-</u>	<u>-0-</u>	<u>2,268,987</u>
	<u>\$ 3,562,395</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,562,395</u>
Other assets measured at fair value on a recurring basis:				
Beneficial interest in community foundations	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 121,104</u>	<u>\$ 121,104</u>

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The Organization's investments accounted at fair value as of June 30, 2020 are summarized below:

	Level 1	Level 2	Level 3	Total
Investments:				
Money market funds	\$ 391,143	\$ -0-	\$ -0-	\$ 391,143
Fixed income mutual funds	554,486	-0-	-0-	554,486
Equity mutual funds	1,158,534	-0-	-0-	1,158,534
	<u>\$ 2,104,163</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2,104,163</u>
Other assets measured at fair value on a recurring basis:				
Beneficial interest in community foundations	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 94,684</u>	<u>\$ 94,684</u>

The following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2021 and 2020 . There have been no changes in the methodologies used as of June 30, 2021 and 2020.

Money market funds, fixed income mutual funds, alternative investments, and equity mutual funds are valued at the per share value of shares held by the Organization at year end.

The beneficial interest in community foundations (CF) is valued at the Organization's proportionate interest in the fair value of the CF's underlying pooled investments.

Changes in level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2021 and 2020 are as follows:

	June 30,	
	2021	2020
Balance of beneficial interest in community foundations, beginning of year	\$ 94,684	\$ 97,114
Change in beneficial interest in community foundations	<u>26,420</u>	<u>(2,430)</u>
Balance of beneficial interest in community foundations, end of year	<u>\$ 121,104</u>	<u>\$ 94,684</u>

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation not indicative of net realizable value or reflective of future fair values. Furthermore, while 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 as of the reporting date.

Paycheck Protection Program Loan

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act). Under the Act the Organization applied for and received a loan under the Paycheck Protection Program. The Organization received \$277,761 on April 18, 2020. The loan bore interest at 1%. The Organization has elected to account for Paycheck Protection Program Loans using the debt model. Under this method of accounting, the Organization recorded the loan from its bank as long-term debt with accrued interest until such time as the loan is formally forgiven, at which time the Organization records the debt forgiveness as Paycheck Protection Program loan forgiveness. The Organization received formal forgiveness on March 30, 2021 and recognized Paycheck Protection Program loan forgiveness of \$277,761.

Revenue Recognition

Government Grants and Contracts

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization has no cost-reimbursable grants not recognized at June 30, 2021 and 2020 because all qualifying expenditures have been incurred. The Organization may retain unexpended funds for use in future periods provided expenses incurred are in compliance with the specified terms of the grant.

Shared maintenance fees and sales of food products are recognized at a point in time. Shared maintenance fees and sales of food products are recognized when shipment is made.

Contributions

The Organization recognizes contributions and grants as revenue in the period in which the pledge (promise to give or grant) is received and donated food is recognized as revenue in the period the food is received.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Donated Services

Donated services are recognized when they require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services valued at \$305,288 and \$278,236 for the years ended June 30, 2021 and 2020, respectively, were received from individuals to perform program services and fundraising campaigns, but are not included in the accompanying financial statements because the skills necessary were not specialized. The Organization tracks these costs to measure and report the significance of volunteers to the Organization's mission.

Investment Income

Investment income includes realized and unrealized gains and losses, interest, and dividends, which are reported net of investment fees reported within the changes in net assets of the accompanying statements of activities and changes in net assets.

Functional Allocation of Expenses

The financial statements report certain categories of expenses attributed to more than one program or supporting function. Expenses identified with a specific program or supporting function are recorded directly according to their natural and functional expense classification. Certain expenses relate to more than one function and require allocation on a reasonable basis consistently applied. The expenses allocated include salaries and wages and payroll taxes and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization, which is allocated on the basis of square footage.

Use of 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 affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 reporting presentation. The reclassification did not have any effect on previously reported assets, liabilities, net assets, or changes in net assets.

Subsequent Events

Subsequent events have been evaluated through October 26, 2021, which is the date these financial statements were available to be issued.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing programs and support services to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization generally operates with a balanced budget and anticipates collecting sufficient revenue to cover the portion of general expenditures not covered by the financial assets listed below.

The table below presents financial assets available for general expenditures within one year:

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 4,979,951	\$2,672,852
Grants receivable	95,195	133,005
Accounts receivable	35,428	57,275
Investments	3,562,395	2,104,163
Financial assets available to meet the cash needs for general expenditures within one year	<u>\$ 8,672,969</u>	<u>\$4,967,295</u>

NOTE C - GRANTS RECEIVABLE

Grants receivable as of June 30, 2021 and 2020 consist of funds awarded from the government and various private foundations of \$95,195 and \$133,005, respectively. All grants receivable are due within one year.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2021	2020
Land	\$ 582,020	\$ 582,020
Building and improvements	3,468,342	3,465,307
Computer software	220,751	220,750
Furniture and fixtures	266,202	266,202
Warehouse equipment	1,052,961	998,757
Vehicles	844,358	564,198
Total property and equipment cost	6,434,634	6,097,234
Less: accumulated depreciation	1,895,138	1,623,722
Property and equipment, net	<u>\$ 4,539,496</u>	<u>\$ 4,473,512</u>

Depreciation and amortization expense for the year ended June 30, 2021 and 2020 was \$271,416 and \$254,509, respectively.

NOTE E - NET ASSETS WITH PURPOSE RESTRICTIONS

Net assets with donor-imposed purpose restrictions were comprised of the following:

	June 30,	
	2021	2020
Food grants	\$ 940,863	\$ 492,761
Senior food box	344,748	191,925
Child hunger initiatives	277,000	144,638
Mobile food pantry	161,430	61,942
Covid relief	95,084	1,500
Pop-up distribution	46,260	-0-
Other	39,415	54,855
Refrigerated food semi truck	-0-	150,000
Backpack program	-0-	11,460
	<u>\$ 1,904,800</u>	<u>\$ 1,109,081</u>

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE F - ENDOWMENT

The Organization's endowment is comprised of board designated funds held by a third party. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets attempting to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets the Organization's board of directors has transferred to local community foundations as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to preserve and build corpus to a sufficient level allowing for a diversified investment strategy.

Strategies Employed for Achieving Objectives

To satisfy its investment objective, the Organization has invested its board designated funds with two local community foundations. The Organization's Board of Directors has determined this to be a reasonable investment option allowing the assets to be managed by the community foundations in pooled investment accounts with other assets held by the community foundations.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of retaining the total return of its endowment until the endowment grows to an undetermined amount at which time a spending policy will be developed. The spending policy will allow its endowment to grow at an established percent annually that would exceed the funds appropriated for distribution. This is consistent with the Organization's objective to build the endowed corpus held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of:

	June 30,	
	2021	2020
Board designated endowment funds	\$ 121,104	\$ 94,684

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Financial Statements Years Ended June 30, 2021 and 2020

NOTE F - ENDOWMENT (CONTINUED)

Changes in endowment net assets:

	Years Ended June 30,	
	2021	2020
Endowment net assets, beginning of year	\$ 94,684	\$ 97,114
Change in beneficial interest in community foundations	26,420	(2,430)
Endowment net assets, end of year	<u>\$ 121,104</u>	<u>\$ 94,684</u>

NOTE G - RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan for eligible employees. Contributions on behalf of eligible employees to the retirement fund during the years ended June 30, 2021 and 2020 were \$55,183 and \$50,804, respectively. The plan requires 5% of eligible wages be contributed into the plan on a bi-weekly basis.

NOTE H - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) and is classified as an organization that is not a "Private Foundation" as defined in Section 509(a) of the Internal Revenue Code.

The Organization has adopted the accounting provisions pertaining to uncertain tax positions. The Organization did not identify any material unrecognized tax benefits upon evaluation of tax positions taken.

The Organization evaluates at each balance sheet date uncertain tax positions taken, if any, to determine the need to record liabilities for taxes, penalties, and interest. The Organization's policy is to record interest and penalties on uncertain tax provisions as income tax expense. As of June 30, 2021 and 2020, the Organization had no accrued taxes, interest, or penalties related to uncertain tax positions. The Organization estimates the unrecognized tax benefit will not change significantly within the next twelve months.

TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200
AUDIT REQUIREMENTS

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Current Year Expenditures	Passed Through to Subrecipients
Major Programs:			
Emergency Food Assistance Program Cluster:			
U.S. Department of Agriculture			
Passed through Ohio Department of Job and Family Services			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 3,648,327	\$ 3,648,327
Emergency Food Assistance Program (Administrative Costs)	10.568	485,685	
Commodity Supplemental Food Program (Food Commodities)	10.565	597,920	597,920
Commodity Supplemental Food Program (Administrative Costs)	10.565	150,021	
Passed through Ohio Department of Job and Family Services and Ohio Association of Foodbanks			
Emergency Food Assistance Program (Administrative Costs)	10.568	14,007	14,007
<i>Total U.S. Department of Agriculture - Food Distribution Cluster:</i>		<u>4,895,960</u>	<u>4,260,254</u>
U.S. Department of the Treasury			
Passed through the State of Ohio Fiscal Recovery Fund, Lorain County Coronavirus Relief Distribution Fund, and Brownhelm Township			
Coronavirus Relief Fund	21.019	11,328	11,328
Passed through the State of Ohio Fiscal Recovery Fund, Lorain County Coronavirus Relief Distribution Fund, and Camden Township			
Coronavirus Relief Fund	21.019	10,000	10,000
Passed through the State of Ohio Fiscal Recovery Fund, Lorain County Coronavirus Relief Distribution Fund, and the City of Elyria			
Coronavirus Relief Fund	21.019	49,000	47,135
Passed through the State of Ohio Fiscal Recovery Fund, Lorain County Coronavirus Relief Distribution Fund, and Lorain County Commissioners			
Coronavirus Relief Fund	21.019	150,249	150,249
Passed through the State of Ohio Fiscal Recovery Fund, Lorain County Coronavirus Relief Distribution Fund, and Lorain County Job and Family Services			
Coronavirus Relief Fund	21.019	15,752	15,752
Passed through the State of Ohio Fiscal Recovery Fund and the City of Galion			
Coronavirus Relief Fund	21.019	30,692	30,692
<i>Total U.S. Department of the Treasury:</i>		<u>267,021</u>	<u>265,156</u>
Total Major Programs:		<u>\$ 5,162,981</u>	<u>\$ 4,525,410</u>
Nonmajor Programs:			
U.S. Department of Housing and Urban Development			
Passed through the City of Lorain			
Community Development Block Grant	14.218	\$ 34,735	
<i>Total U.S. Department of Housing and Urban Development - CDBG - Entitlement Grants Cluster:</i>		34,735	-0-
U.S. Department of Homeland Security			
Passed through United Way			
Emergency Food and Shelter National Board Program	97.024	37,686	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	16,000	
<i>Total U.S. Department of Homeland Security:</i>		<u>53,686</u>	<u>-0-</u>

See Notes to Schedule of Expenditures of Federal Awards

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Schedule of Expenditures of Federal Awards - (Continued) Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Current Year Expenditures	Passed Through to Subrecipients
<u>Nonmajor Programs - Continued</u>			
U.S. Department of Health and Human Services			
Passed through Ohio Department of Job and Family Services and the Ohio Association of Second Harvest Food Banks			
Temporary Assistance for Needy Families (TANF) - (Food Commodities)	93.558	\$ 762,272	\$ 762,272
Temporary Assistance for Needy Families (TANF) - (Distribution and Storage Allocation)	93.558	77,290	
Capacity Building (TANF)	93.558	19,160	
<i>Total Temporary Assistance for Needy Families (TANF) - 477 Cluster:</i>		<u>858,722</u>	<u>762,272</u>
Passed through Ohio Department of Job and Family Services and the Ohio Association of Second Harvest Food Banks			
Social Services Block Grant -Title XX (Food Commodities)	93.667	84,697	84,697
Social Services Block Grant -Title XX (Distribution and Storage Allocation)	93.667	8,588	
<i>Total Social Services Block Grant:</i>		<u>93,285</u>	<u>84,697</u>
Passed through Lorain County Community Action Agency			
Community Services Block Grant	93.569	93,254	93,254
<i>Total U.S. Department of Health and Human Services:</i>		<u>1,045,261</u>	<u>940,223</u>
U.S. Department of Agriculture			
Passed through Ohio Department of Job and Family Services			
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	88,951	
Passed through Ohio Department of Job and Family Services			
State Administrative Matching Grants for the SNAP	10.561	12,120	
Passed through Ohio Department of Education			
National School Lunch Program and Child Nutrition Cluster	10.555	24,458	
<i>Total U.S. Department of Agriculture:</i>		<u>125,529</u>	<u>-0-</u>
Total Nonmajor Programs		<u>1,259,211</u>	<u>940,223</u>
Total Expenditure of Federal Awards		<u>\$ 6,422,192</u>	<u>\$ 5,465,633</u>

See Notes to Schedule of Expenditures of Federal Awards

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Second Harvest Food Bank of North Central Ohio (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title U.S. Code of Federal Regulations (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Agency has not elected to use the 10% de-minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value at the time of donation of the commodities disbursed. The value per pound used to determine the fair market value is the value provided by the pass-through agency. As of June 30, 2021, the Organization had federally funded food commodities totaling \$593,548 in inventory.

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

The Board of Directors
Second Harvest Food Bank of North Central Ohio
Lorain, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of North Central Ohio (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Second Harvest Food Bank of North Central Ohio'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 North Central Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Food Bank of North Central Ohio's internal control.

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

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

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)*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest Food Bank of North Central Ohio'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

Second Harvest Food Bank of North Central Ohio's Response to Findings

Second Harvest Food Bank of North Central Ohio's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Second Harvest Food Bank of North Central Ohio's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Barnes Wendling CPAs

Sheffield Village, Ohio
October 26, 2021

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

The Board of Directors
Second Harvest Food Bank of North Central Ohio
Lorain, Ohio

Report on Compliance for Each Major Federal Program

We have audited Second Harvest Food Bank of North Central Ohio'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 North Central Ohio's major federal programs for the year ended June 30, 2021. Second Harvest Food Bank of North Central Ohio'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Second Harvest Food Bank of North Central Ohio 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, 2021.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Second Harvest Food Bank of North Central Ohio's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Second Harvest Food Bank of North Central Ohio's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

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.

Barnes Wendling CPAs

Sheffield Village, Ohio
October 26, 2021

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Schedule of Findings and Questioned Costs

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	____yes	__x__no
Significant deficiency(ies) identified not considered to be material weaknesses?	____yes	__x__none reported
Noncompliance material to financial statements noted?	____yes	__x__no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____yes	__x__no
Significant deficiency(ies) identified not considered to be material weaknesses?	__x__yes	____none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Federal Register 2 CFR Part 200, Subpart F?

__x__yes ____no

CFDA Numbers

10.569, 10.568, and 10.565
21.019

Name of Federal Program or Cluster

Food Distribution Cluster
Coronavirus Relief Fund

Dollar threshold used to distinguish Type A and Type B programs:

\$ 750,000

Auditee qualified as a low risk auditee?

__x__yes ____no

Section II - Financial Statement Findings

No findings were noted.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Schedule of Findings and Questioned Costs (Continued)

Section III - Federal Award Findings and Questioned Costs

Reference Number	2021-001
Federal Agency:	United States Department of Agriculture
Program Name(s):	Emergency Food Assistance Program (Food Commodities)
CFDA Number(s):	10.569
Criteria or specific requirement:	The Code of Federal Regulations related to the Emergency Food Assistance Program 7 CFR part 251.10: Eligible recipient agencies must sign a receipt for program commodities which they receive under this part for distribution to households or for use in preparing meals, and records of all such receipts must be maintained.
Context and Condition:	We tested 25 sub-recipient agency invoices and noted two instances of food distributed to sub-recipient agencies lacking evidence by signature or alternative approved COVID-19 notation by a representative of the sub-recipient agencies.
Questioned Costs:	None noted
Cause and Effect:	Due to the impact of the COVID-19 pandemic, safety protocol was in place relating to in person contact and the Agency's signature was allowed to be substituted with a Covid-19 sticker on Second Harvest Food Bank's system created agency order is evidence of agreement with the order that was placed. However, this change in controls and the impact of the COVID-19 in person contact limitations caused the deviation.
Recommendation:	We recommend the Organization review with all supervisors and employees handling food distributions to sub-recipient agencies the importance of compliance guidelines surrounding either signature or COVID-19 sticker acknowledging the sub-recipient agencies' receipt of food commodities.

SECOND HARVEST FOOD BANK OF NORTH CENTRAL OHIO

Schedule of Findings and Questioned Costs (Continued)

Section III - Federal Award Findings and Questioned Costs

Reference Number	2021-002
Federal Agency:	United States Department of the Treasury
Program Name(s):	Coronavirus Relief Fund
CFDA Number(s):	21.019
Criteria or specific requirement:	Ohio Department of Job and Family Services Food Program Manual states: A Local Distributor must sign a receipt for program commodities, which they receive for distribution to households or for use in preparing meals.
Context and Condition:	We tested 25 sub-recipient agency invoices and noted two instances of food distributed to sub-recipient agencies lacking evidence by signature or alternative approved COVID-19 notation by a representative of the sub-recipient agencies.
Questioned Costs:	None noted
Cause and Effect:	The Organization allocated funding received under the Coronavirus Relief Fund to food grants for sub-recipient agencies. In order to ensure food distribution controls are proper for all types of food, regardless of the source of the food, the Organization utilizes the compliance requirements set forth in the Ohio Department of Job and Family Services Food Program Manual. Therefore, food distributed utilizing the Coronavirus Relief Fund awards must be distributed in accordance with the Ohio Department of Job and Family Services Food Program Manual. Due to the impact of the COVID-19 pandemic, safety protocol was in place relating to in person contact and the Agency's signature was allowed to be substituted with a Covid-19 sticker on Second Harvest Food Bank's system created agency order is evidence of agreement with the order that was placed. However, this change in controls and the impact of the COVID-19 in person contact limitations caused the deviation.
Recommendation:	We recommend the Organization review with all supervisors and employees handling food distributions to sub-recipient agencies the importance of compliance guidelines surrounding either signature or COVID-19 sticker acknowledging the sub-recipient agencies' receipt of food commodities.

See Notes to Schedule of Expenditures of Federal Awards

CORRECTIVE ACTION PLAN

Findings: 2021-001 and 2021-002

Agency: Second Harvest Food Bank of North Central Ohio

Name of contact person and title: Philip Simulcik, Director of Operations

Anticipated completion date: December 31, 2021

Agency's response: Concur

Second Harvest Food Bank of North Central Ohio agrees with this finding and will implement the following:

- Distribute policies and procedures to all staff responsible for invoice documentation.
- Train staff on the ongoing policies and procedures relating to food distribution to partner charities (sub-recipient agencies), along with changes in policies and procedures due to the COVID-19 pandemic.

Nordson Food Distribution Center
5510 Baumhart Road, Lorain, OH 44053
secondharvestfoodbank.org
440.960.2265 · fax 440.960.2356