



Report of Independent Auditors  
and Financial Statements  
with Supplementary Information

**Second Harvest Inland Northwest**

June 30, 2023 and 2022

# Table of Contents

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	<b>Page</b>
<b>Report of Independent Auditors</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	5
Statement of Activities – 2023	6
Statement of Activities – 2022	7
Statement of Functional Expenses – 2023	8
Statement of Functional Expenses – 2022	10
Statement of Cash Flows	12
Notes to Financial Statements	13
<b>Supplementary Information</b>	
Statement of Activities Detail – 2023	27
Statement of Activities Detail – 2022	29
Schedule of Expenditures of Nonfederal Awards	31
Schedule of Expenditures of Federal Awards	32
Notes to the Schedule of Expenditures of Federal Awards	33
<b>Report of Independent Auditors 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></b>	34
<b>Report of Independent Auditors on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance</b>	36
Schedule of Findings and Questioned Costs	39

## **Report of Independent Auditors**

The Board of Directors  
Second Harvest Inland Northwest

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Second Harvest Inland Northwest, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Second Harvest Inland Northwest as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Second Harvest Inland Northwest and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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*, statement of activities detail – 2023, statement of activities detail – 2022, and the schedule of expenditures of nonfederal awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, statement of activities detail – 2023, statement of activities detail – 2022, and the schedule of expenditures of nonfederal awards are 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 20, 2023, on our consideration of Second Harvest Inland Northwest'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 Inland Northwest'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 Inland Northwest's internal control over financial reporting and compliance.

*Moss Adams LLP*

Spokane, Washington  
October 20, 2023

## **Financial Statements**

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**Second Harvest Inland Northwest**  
**Statements of Financial Position**  
**June 30, 2023 and 2022**

	2023	2022
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,246,275	\$ 13,195,846
Certificates of deposit	3,690,330	114,275
Investments	23,682	24,913
Beneficial interest in trust	295,289	283,637
Due from government agencies	1,412,916	229,076
Pledges receivable, net	500,245	830,710
Other accounts receivable, net of allowance for doubtful accounts of \$500 for 2023 and 2022	111,252	245,718
Inventory, purchased, at lower of cost or net realizable value	121,741	526,069
Inventory, in-kind, at market	1,526,395	1,763,472
Inventory, in-kind, The Emergency Food Assistance Program (TEFAP)	357,418	986,668
Inventory, in-kind, Commodity Supplemental Food Program (CSFP)	-	34,387
Property and equipment, net	11,901,104	11,470,697
Operating lease right-of-use assets	363,564	-
Other assets	145,588	124,163
	<b>\$ 28,695,799</b>	<b>\$ 29,829,631</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 209,197	\$ 286,038
Accrued expenses	269,640	226,424
Operating lease liabilities	363,564	-
Notes payable	-	641,444
	<b>842,401</b>	<b>1,153,906</b>
<b>NET ASSETS</b>		
Without donor restrictions		
Available for general activities	23,725,031	23,900,448
Designated by the governing board for		
Operating reserve	1,700,000	1,700,000
Information technology reserve	128,040	128,040
Facilities reserve	546,960	546,960
Fleet reserve	267,054	267,054
	26,367,085	26,542,502
With donor restrictions		
Time or purpose	1,188,579	1,835,489
Perpetuity	297,734	297,734
	1,486,313	2,133,223
Total net assets	<b>27,853,398</b>	<b>28,675,725</b>
Total liabilities and net assets	<b>\$ 28,695,799</b>	<b>\$ 29,829,631</b>

See accompanying notes.

**Second Harvest Inland Northwest**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributed financial assets	\$ 6,455,455	\$ 694,960	\$ 7,150,415
Special events	373,317	-	373,317
Investment return, net	204,684	-	204,684
Purchase program	269,841	-	269,841
United Way contributions	40,717	-	40,717
Nonfederal organizations	845,118	-	845,118
Government fees and grants	3,830,949	-	3,830,949
Contributed nonfinancial assets	123,687,127	-	123,687,127
Miscellaneous	316,661	-	316,661
Net assets released from restrictions	1,341,870	(1,341,870)	-
	<u>137,365,739</u>	<u>(646,910)</u>	<u>136,718,829</u>
Total revenue, gains, and other support			
Expenses			
Program services			
Warehousing	57,707,029	-	57,707,029
Washington produce	72,038,376	-	72,038,376
Nutrition education	557,759	-	557,759
TEFAP	4,321,227	-	4,321,227
CSFP	506,731	-	506,731
Support services			
Management and general	1,167,458	-	1,167,458
Fundraising	1,242,576	-	1,242,576
	<u>137,541,156</u>	<u>-</u>	<u>137,541,156</u>
Total expenses			
Change in net assets	(175,417)	(646,910)	(822,327)
NET ASSETS, beginning of year	<u>26,542,502</u>	<u>2,133,223</u>	<u>28,675,725</u>
NET ASSETS, end of year	<u>\$ 26,367,085</u>	<u>\$ 1,486,313</u>	<u>\$ 27,853,398</u>

See accompanying notes.



**Second Harvest Inland Northwest**  
**Statement of Activities**  
**Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributed financial assets	\$ 5,406,708	\$ 1,499,247	\$ 6,905,955
Special events	423,378	-	423,378
Investment return, net	(38,034)	-	(38,034)
Purchase program	246,502	-	246,502
United Way contributions	57,981	-	57,981
Nonfederal organizations	781,952	-	781,952
Government fees and grants	3,258,739	-	3,258,739
Contributed nonfinancial assets	98,602,096	-	98,602,096
Miscellaneous	262,992	-	262,992
Net assets released from restrictions	1,048,261	(1,048,261)	-
Total revenue, gains, and other support	<u>110,050,575</u>	<u>450,986</u>	<u>110,501,561</u>
Expenses			
Program services			
Warehousing	55,258,435	-	55,258,435
Washington produce	50,727,770	-	50,727,770
Nutrition education	506,536	-	506,536
TEFAP	5,477,841	-	5,477,841
CSFP	425,138	-	425,138
Support services			
Management and general	1,016,613	-	1,016,613
Fundraising	924,945	-	924,945
Total expenses	<u>114,337,278</u>	<u>-</u>	<u>114,337,278</u>
Change in net assets	(4,286,703)	450,986	(3,835,717)
NET ASSETS, beginning of year	<u>30,829,205</u>	<u>1,682,237</u>	<u>32,511,442</u>
NET ASSETS, end of year	<u>\$ 26,542,502</u>	<u>\$ 2,133,223</u>	<u>\$ 28,675,725</u>

See accompanying notes.

**Second Harvest Inland Northwest  
Statement of Functional Expenses  
Year Ended June 30, 2023**

	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 2,601,569	\$ -	\$ 402,619	\$ 249,474
Employee health and retirement benefits	574,175	-	64,032	55,030
Payroll taxes	271,042	-	63,486	38,660
<b>Total salaries and related benefits</b>	<b>3,446,786</b>	<b>-</b>	<b>530,137</b>	<b>343,164</b>
Professional fees	14,646	-	-	-
Contracted services	102,063	-	-	-
Supplies	204,183	-	6,183	3,969
Value added purchases	1,319,513	-	-	-
Telephone	41,448	-	-	3,815
Postage	11,996	-	-	-
Occupancy	341,099	-	1,377	14,289
Insurance	78,048	-	-	7,028
Equipment rent and maintenance	319,925	-	-	23,025
Printing, publications, and advertising	3,464	-	2,843	-
Travel and mileage	27,218	-	-	-
Motor freight and fleet gas	334,482	-	-	17,754
Conferences, conventions, and training	-	-	690	-
Assistance to individuals	50,142,893	72,038,376	-	3,897,706
Miscellaneous	3,410	-	16,469	-
Dues and fees	1,760	-	60	-
Agency reimbursements	556,684	-	-	10,477
Interest	-	-	-	-
<b>Total expenses before depreciation</b>	<b>56,949,618</b>	<b>72,038,376</b>	<b>557,759</b>	<b>4,321,227</b>
Depreciation	757,411	-	-	-
<b>Total expenses</b>	<b>\$ 57,707,029</b>	<b>\$ 72,038,376</b>	<b>\$ 557,759</b>	<b>\$ 4,321,227</b>

See accompanying notes.

**Second Harvest Inland Northwest  
Statement of Functional Expenses  
Year Ended June 30, 2023**

Program Services		Support Services			Total Expenses
CSFP	Total	Management and General	Fundraising	Total	
\$ 65,228	\$ 3,318,890	\$ 396,933	\$ 683,289	\$ 1,080,222	\$ 4,399,112
16,009	709,246	73,380	129,110	202,490	911,736
7,500	380,688	21,132	61,834	82,966	463,654
88,737	4,408,824	491,445	874,233	1,365,678	5,774,502
-	14,646	121,164	180,175	301,339	315,985
-	102,063	-	-	-	102,063
5,523	219,858	9,406	2,363	11,769	231,627
-	1,319,513	-	-	-	1,319,513
1,070	46,333	12,928	-	12,928	59,261
-	11,996	302	66,578	66,880	78,876
2,384	359,149	22,829	-	22,829	381,978
859	85,935	5,485	-	5,485	91,420
4,797	347,747	69,477	41,217	110,694	458,441
-	6,307	4,243	69,246	73,489	79,796
-	27,218	-	-	-	27,218
2,391	354,627	-	-	-	354,627
-	690	8,293	6,797	15,090	15,780
400,970	126,479,945	-	-	-	126,479,945
-	19,879	32,299	174	32,473	52,352
-	1,820	329,877	1,793	331,670	333,490
-	567,161	-	-	-	567,161
-	-	11,365	-	11,365	11,365
506,731	134,373,711	1,119,113	1,242,576	2,361,689	136,735,400
-	757,411	48,345	-	48,345	805,756
<u>\$ 506,731</u>	<u>\$ 135,131,122</u>	<u>\$ 1,167,458</u>	<u>\$ 1,242,576</u>	<u>\$ 2,410,034</u>	<u>\$ 137,541,156</u>

See accompanying notes.

**Second Harvest Inland Northwest  
Statement of Functional Expenses  
Year Ended June 30, 2022**

	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 2,651,784	\$ -	\$ 378,389	\$ 250,001
Employee health and retirement benefits	573,658	-	82,275	58,712
Payroll taxes	272,677	-	39,998	28,071
<b>Total salaries and related benefits</b>	<b>3,498,119</b>	<b>-</b>	<b>500,662</b>	<b>336,784</b>
Professional fees	5,126	-	-	-
Contracted services	47,078	-	-	-
Supplies	179,876	-	1,495	2,930
Value added purchases	1,371,330	-	-	-
Telephone	42,430	-	-	4,321
Postage	11,698	-	-	-
Occupancy	345,037	-	174	19,310
Insurance	68,950	-	-	9,156
Equipment rent and maintenance	391,177	-	72	32,056
Printing, publications, and advertising	1,936	-	4,003	-
Travel and mileage	13,314	-	-	-
Motor freight and fleet gas	277,128	-	-	23,516
Conferences, conventions, and training	500	-	-	-
Assistance to individuals	48,109,384	50,727,770	-	5,028,945
Miscellaneous	1,640	-	-	-
Dues and fees	2,197	-	130	-
Agency reimbursements	201,120	-	-	20,823
Interest	-	-	-	-
<b>Total expenses before depreciation</b>	<b>54,568,040</b>	<b>50,727,770</b>	<b>506,536</b>	<b>5,477,841</b>
Depreciation	690,395	-	-	-
<b>Total expenses</b>	<b>\$ 55,258,435</b>	<b>\$ 50,727,770</b>	<b>\$ 506,536</b>	<b>\$ 5,477,841</b>

See accompanying notes.

**Second Harvest Inland Northwest  
Statement of Functional Expenses  
Year Ended June 30, 2022**

Program Services		Support Services			Total Expenses
CSFP	Total	Management and General	Fundraising	Total	
\$ 86,641	\$ 3,366,815	\$ 347,595	\$ 513,956	\$ 861,551	\$ 4,228,366
22,955	737,600	69,746	95,354	165,100	902,700
10,953	351,699	20,576	44,956	65,532	417,231
120,549	4,456,114	437,917	654,266	1,092,183	5,548,297
-	5,126	102,763	68,775	171,538	176,664
-	47,078	-	-	-	47,078
1,218	185,519	6,444	16,640	23,084	208,603
-	1,371,330	-	-	-	1,371,330
1,752	48,503	13,025	-	13,025	61,528
-	11,698	729	79,018	79,747	91,445
2,314	366,835	20,664	4,113	24,777	391,612
788	78,894	5,032	-	5,032	83,926
8,325	431,630	87,274	32,411	119,685	551,315
751	6,690	8,197	66,706	74,903	81,593
-	13,314	-	-	-	13,314
1,556	302,200	-	-	-	302,200
-	500	39,911	1,876	41,787	42,287
287,563	104,153,662	-	-	-	104,153,662
-	1,640	18,129	93	18,222	19,862
-	2,327	189,173	1,047	190,220	192,547
322	222,265	-	-	-	222,265
-	-	41,180	-	41,180	41,180
425,138	111,705,325	970,438	924,945	1,895,383	113,600,708
-	690,395	46,175	-	46,175	736,570
<u>\$ 425,138</u>	<u>\$ 112,395,720</u>	<u>\$ 1,016,613</u>	<u>\$ 924,945</u>	<u>\$ 1,941,558</u>	<u>\$ 114,337,278</u>

See accompanying notes.

**Second Harvest Inland Northwest**  
**Statement of Cash Flows**  
**Years Ended June 30, 2023 and 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (822,327)	\$ (3,835,717)
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of property and equipment	-	3,299
Depreciation	805,756	736,570
Realized (gain) loss on marketable securities	(74,824)	1,527
In-kind contributions, food and services	(123,684,407)	(98,602,096)
In-kind distributions, food and services	124,585,121	100,448,484
Change in assets and liabilities		
Beneficial interest in trust	(11,652)	59,796
Receivables	(718,909)	(421,540)
Inventory, purchased, excluding in-kind donations	404,328	2,379,456
Other assets	(21,425)	(4,572)
Accounts payable	(76,841)	140,620
Accrued expenses	43,216	(14,631)
	<b>428,036</b>	<b>891,196</b>
Net cash from operating activities	<b>428,036</b>	<b>891,196</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,236,163)	(1,954,016)
Purchase of certificate of deposit	(3,500,000)	-
	<b>(4,736,163)</b>	<b>(1,954,016)</b>
Net cash from investing activities	<b>(4,736,163)</b>	<b>(1,954,016)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	(641,444)	(31,633)
	<b>(641,444)</b>	<b>(31,633)</b>
Net cash from financing activities	<b>(641,444)</b>	<b>(31,633)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,949,571)</b>	<b>(1,094,453)</b>
CASH AND CASH EQUIVALENTS, beginning of year	13,195,846	14,290,299
CASH AND CASH EQUIVALENTS, end of year	<b>\$ 8,246,275</b>	<b>\$ 13,195,846</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for interest	<b>\$ 11,365</b>	<b>\$ 41,180</b>
Lease assets obtained during the year in exchange for lease obligations	<b>\$ 170,208</b>	<b>\$ -</b>

See accompanying notes.

## Second Harvest Inland Northwest Notes to Financial Statements

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### **Note 1 – Significant Accounting Policies**

**Organization** – Second Harvest Inland Northwest (Organization), located in Spokane, Washington, is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization has been the hub for charitable food distribution in the Inland Northwest for more than 40 years. The Organization provides fresh produce, dairy products, meat, canned goods, and other food that helps feed hungry families and seniors living in 21 Eastern Washington and 5 North Idaho Counties. Surplus fresh produce donations are distributed to other Feeding America network members throughout the country.

**Basis of accounting** – The Organization maintains its accounting records on the accrual method of accounting.

**Use of accounting estimates** – The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the provision for depreciation, the allocation of expenses by function, net realizable value of inventory, the allowance for doubtful accounts, and the amortized discount on unconditional promises to give.

**Financial statement presentation** – The financial statements of the Organization have been prepared in accordance with accounting guidance related to financial statements for not-for-profit organizations.

**Cash and cash equivalents** – The Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

**Accounts and pledges receivable** – The Organization extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by actively pursuing past due accounts. Accounts receivable are generally due on the last day of the month after delivery of product to the customer. An allowance on accounts receivable is estimated based on an aging of accounts and management's evaluation of the current status of accounts. Accounts receivable are written off when they are determined to be uncollectible. There were no accounts receivable outstanding more than 90 days at June 30, 2023 or 2022.

Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is made. Unconditional promises are recognized at the estimated present value of the future cash flows using discount rates. The discounts are computed using a rate that is commensurate with the risks involved and applicable to the years in which the promises are received. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions.

**Due from government agencies** – The Organization receives funds from government agencies during the normal course of business. These funds are expected to be collected within one year.

## Second Harvest Inland Northwest Notes to Financial Statements

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**Investments and certificates of deposit** – All investments in mutual funds are recorded at fair value based on quoted market prices. The net unrealized gains or losses in fair value of investments, as well as all other investment income, are recognized in the statements of activities.

These investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the statements of financial position.

**Beneficial interest in trust** – The beneficial interest in trust consists of assets administered by a separate foundation with the Organization deriving income and/or residual interest from the assets.

**Inventory** – In-kind food inventory is valued at estimated fair market value. Purchased food inventory is valued at the cost to purchase the food using the first-in, first-out method. Donated food commodities inventory, Community Supplemental Food Program (CSFP), and The Emergency Food Assistance Program (TEFAP), is valued at estimated net realizable value using the first-in, first-out method based on prices provided by the United States Department of Agriculture (USDA).

**Property and equipment** – Property and equipment are recorded at cost if purchased or at fair value if donated. The Organization capitalizes expenditures for items over \$10,000, or expenditures that substantially increase the useful lives of existing assets. Depreciation is computed on the straight-line method over the estimated useful lives ranging from 3 to 40 years.

Equipment and property purchased for grant programs in which the Organization retains title, are capitalized and depreciated over their estimated lives.

**Operating lease right of use assets and liabilities** – Transactions give rise to leases when the Organization receives substantially all the economic benefits from and has the ability to direct the use of specified property and equipment. The Organization determines if an arrangement is a lease at inception and only reassess its determination if the terms and conditions of the contract are changed. The operating lease ROU asset is included within the Organization's assets and the lease liability is included in liabilities on the Organization's statement of financial position.

ROU assets represent the Organization's right to use, or control the use of, a specified asset for the lease term. Lease liabilities are the Organization's obligation to make lease payments arising from a lease and are measured on a discounted basis. Operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term on the commencement date. The operating lease ROU asset includes any lease payments made and initial direct costs incurred and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease terms.



## Second Harvest Inland Northwest Notes to Financial Statements

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**Net assets** – The Organization reports information regarding its statements of financial position and statements of activities based on the existence or absence of donor-imposed restrictions, as follows:

*Net assets without donor restrictions* – Without donor restrictions include resources that are not restricted by the donor and are available for the operations of the Organization without limitation. Without donor restrictions also include resources restricted by donor imposed criteria for which the restrictions are met within the same time period as the funds are received, as well as those whose use has been limited by the Board for the purposes designated and are considered quasi-endowment funds.

*Net assets with donor restrictions* – With donor restrictions include those whose use by the Organization has been limited by donors to a specific time period or purpose. Upon the fulfillment of the purposes for which the net assets were restricted, expiration of donor-imposed restriction, or withdrawal of a restriction by donor, with donor restrictions are reclassified to without donor restrictions. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as without donor restrictions. With donor restrictions also include endowments that have been received by the Organization from third party donors with the stipulation that only the interest received thereon may be used for operations.

**Functional allocation of expenses** – Expenses are summarized on a functional basis in the financial statements. Expenses are charged directly to the function they benefit. When functions are shared or costs are intermingled, the Organization allocates expenses based on either a percentage of total labor hours or a percentage of total food weight distributed.

**Contributed financial assets** – Contributed financial assets that are received, including unconditional promises to give, are recorded as increases in net assets without donor restrictions or net assets with donor restricted support depending on the existence or nature of any donor restrictions. Assets donated with explicit restrictions regarding their use and contributions with donor stipulations regarding how long those contributed assets must be maintained are recorded as net assets with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service as instructed by the donor. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time. Conditional contributions are recorded when the conditions associated have been met and barriers to entitlement have been satisfied.

**Contributed nonfinancial assets** – For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statement of activities include:

	2023	2022
Food commodities	\$ 123,684,407	\$ 98,596,290
Services	2,720	5,806
	\$ 123,687,127	\$ 98,602,096

The Organization recognized contributed nonfinancial assets within revenue, including food commodities and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

## Second Harvest Inland Northwest Notes to Financial Statements

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The Organization receives substantial in-kind contributions, primarily in the form of donated food. The food is recorded at market value on the date of donation that has been determined by Feeding America and management to be \$1.57 and \$1.53 per pound during 2023 and 2022, respectively. Feeding America is a nationwide network of 200 food banks. The market values for the fiscal years ended June 30, 2023 and 2022, have been calculated by an independent accountant under agreed-upon-procedures. The valuations were established as of December 31, 2022 and 2021.

Contributed food commodities was utilized in the following programs: warehousing, Washington produce, The Emergency Food Assistance Program, and the Commodity Supplemental Food Program. Contributed services were used in warehousing, nutrition education, fundraising, and management and general.

Contributed food commodities are valued at market value on the date of the donation. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services are valued in the financial statements at the estimated fair value for similar services.

For the years ended June 30, 2023 and 2022, a substantial number of unpaid volunteers have made significant contributions of approximately 47,108 and 43,626 hours, respectively, to the operations of the Organization. The value of this contributed time, estimated to be \$786,224 and \$728,110, respectively, is not reflected in these statements since it does not meet the criteria recognition under accounting principles generally accepted in the United States of America (GAAP).

**Advertising expenses** – The Organization expenses advertising costs as incurred. During the years ended June 30, 2023 and 2022, promotional advertising expenses of \$8,028 and \$8,213, respectively, were incurred.

**Valuation of long-lived assets** – The Organization, using its best estimates based on reasonable and supportable assumptions and projections, reviews assets for impairment whenever events or changes in circumstances have indicated the carrying amount of its assets might not be recoverable. At June 30, 2023 and 2022, no assets had been written down.

**Income tax status** – The Organization is exempt from federal income tax under Section 501(c)(3) of the IRC except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization recognizes interest and penalties related to income tax matters in operating expenses.

The Organization had no unrecognized tax benefits at June 30, 2023 and 2022. No interest or penalties were accrued for the years ended June 30, 2023 and 2022. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the Washington charities division.

## Second Harvest Inland Northwest Notes to Financial Statements

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**Recent accounting pronouncements** – In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Topic 842 requires recognition of operating leases with lease terms of more than 12 months to be recorded on the statement of financial position as both assets for the rights to use and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the leased assets and liabilities recorded in the financial statements. The Organization elected to adopt this guidance using the modified retrospective transition method on July 1, 2023, meaning the Organization did not restate prior years. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the Organization to exclude leases with a term of 12 months or less and allows the Organization to carry forward the historical lease classification. Adoption of the standard resulted in the recognition of an operating right-of-use (ROU) asset and lease liability of \$239,532 as of July 1, 2023, and did not have a material impact on the statement of activities or cash flows. Refer to Note 16 for further details.

**Reclassifications** – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to be in accordance with the presentation in the current-year financial statements. Total net assets and changes in net assets are unchanged due to these reclassifications.

**Subsequent events** – Subsequent events are events or transactions that occur after the date of the statement of financial position but before the financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the statement of financial position and before the financial statements are issued.

The Organization has evaluated subsequent events through October 20, 2023, which is the date the financial statements were available to be issued.

### **Note 2 – Program Descriptions**

Programs of the Organization include the following:

**Warehousing (county and regional)** – The Organization provides short-term food help to those experiencing a one-time only crisis, to those on federal assistance in transition, to those who lack basic life skills, and to nonprofit organizations providing a wide range of services.

**Washington produce** – The Organization distributes surplus fresh bulk produce donations to other Feeding America network members.

**Nutrition education** – The Organization provides hands-on cooking classes, demonstrations, and food samples to clients to increase food literacy and healthy eating habits. The Organization's training and technical assistance for partner food banks empowers them to reach more clients with nutrition education as well.

## Second Harvest Inland Northwest

### Notes to Financial Statements

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**The Emergency Food Assistance Program (TEFAP)** – The Organization distributes surplus food made available by the federal government to low income and temporarily needy families in the community.

**Commodity Supplemental Food Program (CSFP)** – The Organization distributes prepackaged United States Department of Agriculture (USDA) commodities through pantries and a home delivery program to eligible elderly people.

#### **Note 3 – Promises to Give (Pledges Receivable)**

Promises to give are recorded after discounting to the present value of future cash flows at rates ranging from 6% to 7.4%. Management has determined the promises receivable to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2023 and 2022.

The discounted balance of promises to give at June 30:

	2023	2022
Unconditional promises to give	\$ 526,254	\$ 869,088
Less unamortized discount	(26,009)	(38,378)
Unconditional promises to give	\$ 500,245	\$ 830,710

Promises to give at June 30, 2023, are expected be realized in the following periods:

Amounts due in	
Less than one year	\$ 304,584
One to five years	162,327
Thereafter	33,334
	\$ 500,245

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	2023	2022
Projects in process	\$ 504,104	\$ 252,968
Land	777,569	777,569
Buildings	5,958,404	5,958,404
Building improvements	6,948,510	6,279,371
Vehicles	1,557,108	1,657,249
Office equipment	630,455	586,154
Warehouse and kitchen equipment	3,005,523	2,800,604
	19,381,673	18,312,319
Less accumulated depreciation	7,480,569	6,841,622
	\$ 11,901,104	\$ 11,470,697

### Note 5 – Notes Payable

Long-term debt as of June 30 consists of the following:

	2023	2022
Note payable to Northwest Farm Credit Services due in monthly installments of \$6,068. Note is due in full May 1, 2035. The fixed interest rate is 6.25% and the note is secured by the Pasco land and building. The note was paid in full in October 2022.	\$ -	\$ 641,444

### Note 6 – Retirement Plan

The Organization has established a 403(b) tax deferred annuity (Plan) for the benefit of its employees. All regular full and part-time employees are eligible for employer contributions upon working 1,000 hours and completing 12 consecutive months of service. The Organization contributes between 6% and 9% of an employee's salary depending upon the years of service. Participants are fully vested in the Plan after completing five years of service. Employer contributions for the years ended June 30, 2023 and 2022, were \$245,134 and \$220,126, respectively.

### Note 7 – Deferred Compensation Plan

The Organization has established a deferred compensation plan for the purpose of supplementing the compensation and benefits of certain key executives who are selected by the Board of Directors to participate in the Plan. Contribution levels are determined by the Board of Directors. Plan expenses for the years ended June 30, 2023 and 2022, were \$12,976 and \$11,827, respectively.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 8 – Contingencies

The Organization receives a portion of its revenue from government grants and contracts, all of which are subject to audit by state and federal agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by these agencies. Until such audits have been completed, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization received grant money totaling \$1,108,767 in fiscal years 2016 and 2015 from the Washington State Department of Commerce Projects That Strengthen Youth and Families Program that was used to renovate and expand the Pasco distribution center. The grant contains a provision that there must not be a change of use of the property for a period of ten years from the date of the final receipt of grant funds or the grant must be repaid. Management is of the opinion that there will be no change of use of the property during the period specified by the grant.

The Organization received grant money totaling \$550,000 in fiscal year 2019 from the City of Spokane that was used to purchase the Wolff Family Childhood Hunger Solution Center. The grant contains a provision that there must not be a change of use of the property for a period of five years from the expiration date of the grant agreement or the grant must be repaid. Management is of the opinion that there will be no change of use of the property during the period specified by the grant.

### Note 9 – Concentration of Credit Risk

At various times throughout the year, cash balances exceed federally insured limits in individual financial institutions. A possible loss exists for amounts in excess of \$250,000 at any one institution.

### Note 10 – Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Contributions restricted in perpetuity	\$ 297,734	\$ 297,734
Beef Counts	131	1,831
Bite 2 Go	567,762	780,954
Dairy for Life	15,053	3,053
Promise to give (time restriction)	500,245	830,710
Estate gifts (time restriction)	105,388	218,941
	<u>\$ 1,486,313</u>	<u>\$ 2,133,223</u>

## Second Harvest Inland Northwest Notes to Financial Statements

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Net assets with donor restrictions released from restrictions are as follows:

	2023	2022
Beef Counts	\$ 1,831	\$ 5,276
Bite 2 Go	780,954	798,966
Dairy for Life	-	37,694
Promises to give	340,144	201,021
Estate gifts	218,941	5,304
	\$ 1,341,870	\$ 1,048,261

### Note 11 – Endowment

The Organization’s endowment consists of two individual funds. Its endowment includes only donor-restricted endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the presentation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Uniform Prudent Management of Institutional Funds (UPMIFA) and Washington State law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization
- The spending policies of the Organization

All endowment net assets are classified as with donor restrictions.

Endowment funds with donor restrictions were \$297,734 as of June 30, 2023 and 2022.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 12 – Investments and Certificates of Deposits

Investments and certificates of deposits are carried at fair value and realized and unrealized gains and losses are reflected in the statements of activities.

For the years ended June 30, the Organization's total return on investments includes:

	<u>2023</u>	<u>2022</u>
Net investment return	<u>\$ 204,684</u>	<u>\$ (38,034)</u>

### Note 13 – Fair Value of Financial Instruments

FASB defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB requires valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's own assumptions about market inputs based on its own data.

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active 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.

The following methods were used to estimate the fair value of all other financial instruments:

*Certificates of deposits* – Fair value is based on unquoted market prices for similar securities for money market instruments issued by a bank or credit union.

*Mutual funds* – Fair value is based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

*Beneficial interest in trust* – Fair value is based on unobservable inputs. Beneficial interest is valued in underlying assets being marked to fair value.

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Because no active market exists for certain financial instruments, their fair value estimates are based on judgments regarding current economic conditions and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. A change in assumptions could significantly affect the estimates. Accordingly, the estimates presented herein are not necessarily indicative of what the Organization could realize in future market exchange. There has been no change in methodology during the 2023 fiscal year.



## Second Harvest Inland Northwest Notes to Financial Statements

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The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30:

	June 30, 2023	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in	
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Investments, mutual funds	\$ 23,682	\$ 23,682	\$ -
Certificates of deposit	3,690,330	-	3,690,330
Beneficial interest in trust	295,289	-	295,289

  

	June 30, 2022	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in	
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Investments, mutual funds	\$ 24,913	\$ 24,913	\$ -
Certificates of deposit	114,275	-	114,275
Beneficial interest in trust	283,637	-	283,637

**Beneficial interest in trust** – The beneficial interest in trust consists of assets administered by a separate foundation with the Organization deriving income and/or residual interest from the assets.

### Note 14 – Related-Party Transactions

Feeding Washington is a Washington nonprofit membership corporation formed to create an effective, united, and capable statewide hunger relief system delivering maximum benefit to the hungry people of Washington State. Feeding Washington consists of two members: Second Harvest Inland Northwest and Food Lifeline. During the years ended June 30, 2023 and 2022, the Organization paid \$200,000 and \$95,600, respectively, to Feeding Washington in the form of membership dues.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 15 – Liquidity and Availability of Financial Assets

**Availability and liquidity** – The following represents Second Harvest Inland Northwest’s financial assets at June 30, 2023 and 2022:

	2023	2022
Financial assets at year-end		
Cash and cash equivalents	\$ 8,246,275	\$ 13,195,846
Certificates of deposit	3,690,330	114,275
Investments	23,682	24,913
Beneficial interest in trust	295,289	283,637
Due from government agencies	1,412,916	229,076
Pledges receivable, net	500,245	830,710
Receivable from related party	-	4,725
Other accounts receivable, net of allowance for doubtful accounts	111,252	240,993
Total financial assets	14,279,989	14,924,175
Less amounts unavailable for general expenditures within one year		
Net assets with donor restrictions	1,486,313	2,133,223
Less net assets with donor restrictions to be met in less than a year	(992,917)	(1,335,613)
Total amounts unavailable to be used within one year	493,396	797,610
Financial assets available to meet general expenditures over the next 12 months	\$ 13,786,593	\$ 14,126,565

Second Harvest Inland Northwest’s goal is generally to maintain financial assets to meet or exceed 90 days of operating expenses (approximately \$2.9 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 16 – Operating Leases

The Organization has noncancelable leases for trucks. The Organization utilizes the risk-free borrowing rate as the discount rate for calculating the present value of future cash flows. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Future minimum rental payments under noncancelable leases with terms in excess of one year are as follows:

2024	\$ 78,311
2025	78,311
2026	78,311
2027	78,311
2028	31,826
Thereafter	<u>52,900</u>
Total undiscounted cash flows	397,970
Less present value adjustment	<u>34,406</u>
Total lease liability	<u><u>\$ 363,564</u></u>

Total lease expense for the year ended June 30, 2023, was \$105,212. The weighted average discount rate is 3.24% and the weighted average remaining term is 5.40 years for the Organization's operating leases as of June 30, 2023.

## **Supplementary Information**

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**Second Harvest Inland Northwest  
Statement of Activities Detail  
Year Ended June 30, 2023**

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BREAKDOWN BY PROGRAM	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions of financial assets	\$ 7,150,415	\$ -	\$ -	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	269,841	-	-	-
United Way contributions	40,717	-	-	-
Nonfederal organizations	845,118	-	-	-
Government fees and grants	3,071,815	-	302,152	387,893
Contributions of nonfinancial assets	48,012,122	72,038,376	10	3,268,456
Miscellaneous	251,826	-	64,710	-
Total revenue, gains, and other support	<u>59,641,854</u>	<u>72,038,376</u>	<u>366,872</u>	<u>3,656,349</u>
<b>EXPENSES</b>				
Support services	-	-	-	-
Program services	<u>57,707,029</u>	<u>72,038,376</u>	<u>557,759</u>	<u>4,321,227</u>
Total expenses	<u>57,707,029</u>	<u>72,038,376</u>	<u>557,759</u>	<u>4,321,227</u>
Change in net assets	<u>\$ 1,934,825</u>	<u>\$ -</u>	<u>\$ (190,887)</u>	<u>\$ (664,878)</u>

See report of independent auditors.

**Second Harvest Inland Northwest  
Statement of Activities Detail  
Year Ended June 30, 2023**

Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 7,150,415	\$ -	\$ -	\$ -	\$ 7,150,415
-	-	-	373,317	373,317	373,317
-	-	204,684	-	204,684	204,684
-	269,841	-	-	-	269,841
-	40,717	-	-	-	40,717
-	845,118	-	-	-	845,118
69,089	3,830,949	-	-	-	3,830,949
366,583	123,685,547	1,494	86	1,580	123,687,127
-	316,536	125	-	125	316,661
<u>435,672</u>	<u>136,139,123</u>	<u>206,303</u>	<u>373,403</u>	<u>579,706</u>	<u>136,718,829</u>
-	-	1,167,458	1,242,576	2,410,034	2,410,034
<u>506,731</u>	<u>135,131,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,131,122</u>
<u>506,731</u>	<u>135,131,122</u>	<u>1,167,458</u>	<u>1,242,576</u>	<u>2,410,034</u>	<u>137,541,156</u>
<u>\$ (71,059)</u>	<u>\$ 1,008,001</u>	<u>\$ (961,155)</u>	<u>\$ (869,173)</u>	<u>\$ (1,830,328)</u>	<u>\$ (822,327)</u>

See report of independent auditors.

**Second Harvest Inland Northwest  
Statement of Activities Detail  
Year Ended June 30, 2022**

BREAKDOWN BY PROGRAM	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions of financial assets	\$ 6,905,955	\$ -	\$ -	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	246,502	-	-	-
United Way contributions	57,981	-	-	-
Nonfederal organizations	781,952	-	-	-
Government fees and grants	2,426,196	-	254,972	474,577
Contributions of nonfinancial assets	42,415,954	50,727,770	10	5,218,298
Miscellaneous	251,156	-	11,836	-
Total revenue, gains, and other support	<u>53,085,696</u>	<u>50,727,770</u>	<u>266,818</u>	<u>5,692,875</u>
<b>EXPENSES</b>				
Support services	-	-	-	-
Program services	55,258,435	50,727,770	506,536	5,477,841
Total expenses	<u>55,258,435</u>	<u>50,727,770</u>	<u>506,536</u>	<u>5,477,841</u>
Change in net assets	<u>\$ (2,172,739)</u>	<u>\$ -</u>	<u>\$ (239,718)</u>	<u>\$ 215,034</u>

See report of independent auditors.

**Second Harvest Inland Northwest  
Statement of Activities Detail  
Year Ended June 30, 2022**

Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 6,905,955	\$ -	\$ -	\$ -	\$ 6,905,955
-	-	-	423,378	423,378	423,378
-	-	(38,034)	-	(38,034)	(38,034)
-	246,502	-	-	-	246,502
-	57,981	-	-	-	57,981
-	781,952	-	-	-	781,952
102,994	3,258,739	-	-	-	3,258,739
234,332	98,596,364	5,673	59	5,732	98,602,096
-	262,992	-	-	-	262,992
<u>337,326</u>	<u>110,110,485</u>	<u>(32,361)</u>	<u>423,437</u>	<u>391,076</u>	<u>110,501,561</u>
-	-	1,016,613	924,945	1,941,558	1,941,558
<u>425,138</u>	<u>112,395,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,395,720</u>
<u>425,138</u>	<u>112,395,720</u>	<u>1,016,613</u>	<u>924,945</u>	<u>1,941,558</u>	<u>114,337,278</u>
<u>\$ (87,812)</u>	<u>\$ (2,285,235)</u>	<u>\$ (1,048,974)</u>	<u>\$ (501,508)</u>	<u>\$ (1,550,482)</u>	<u>\$ (3,835,717)</u>

See report of independent auditors.



**Second Harvest Inland Northwest  
Schedule of Expenditures of Nonfederal Awards  
Year Ended June 30, 2023**

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<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Additional Award Information</u>	<u>Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
Washington State Department of Agriculture The Emergency Food Assistance Program		K2776	\$ 4,214	\$ 165,975
Emergency Food Assistance Program		K3494	199,060	395,372
Emergency Food Assistance Program Early Action		K3494	<u>341,339</u>	<u>364,057</u>
Total Nonfederal Expenditures			<u>\$ 544,613</u>	<u>\$ 925,404</u>

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See report of independent auditors.

## Second Harvest Inland Northwest Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Grantor/Pass-Through Grantor/Program Title	Additional Award Information	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
U.S. Department of Agriculture					
Passed through from Washington State Department of Agriculture					
Food Distribution Cluster					
The Emergency Food Assistance Program (TEFAP)-					
Food Commodities		10.569	K2776	\$ 968,169	\$ 1,062,863
Food Commodities		10.569	K2776	2,572,386	2,832,236
The Emergency Food Assistance Program		10.568	K2776	5,583	113,160
The Emergency Food Assistance Program		10.568	K2776	681	94,297
Total of The Emergency Food Assistance Program (TEFAP)				<u>3,546,819</u>	<u>4,102,556</u>
Commodity Supplemental Food Program (CSFP)-					
Food Commodities		10.565	K2776	87,776	87,837
Food Commodities		10.565	K2776	312,682	312,877
Commodity Supplemental Food Program		10.565	K2776	-	14,993
Commodity Supplemental Food Program		10.565	K2776	-	33,277
Total Commodity Supplemental Food Program (CSFP)				<u>400,458</u>	<u>448,984</u>
Total Food Distribution Cluster				<u>3,947,277</u>	<u>4,551,540</u>
Supplemental Nutrition Assistance Program (SNAP) Cluster					
Passed through from Spokane Regional Health District					
Supplemental Nutrition Assistance Program		10.561	750-713-1106	-	37,382
Passed through from Washington State Department of Health					
Supplemental Nutrition Assistance Program - Education		10.561	CBO26542	-	9,967
Supplemental Nutrition Assistance Program - Education		10.561	CBO26542	-	145,181
Passed through from People for People					
Basic Food Outreach Program		10.561	2HINW-1913-65540	-	26,373
Basic Food Outreach Program		10.561	2HINW-2213-44421	-	83,250
Total SNAP Cluster				<u>-</u>	<u>302,153</u>
Passed through from Washington State Department of Agriculture					
The Emergency Food Assistance Program - CCC		10.187	K2776	-	14,461
Total U.S. Department of Agriculture				<u>3,947,277</u>	<u>4,868,154</u>
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
Passed through from					
City of Spokane - Community Development Block Grant Program		14.218	OPR 2019-0742	-	40,000
Total CDBG - Entitlement Grants Cluster				-	40,000
Resource Center of Spokane County - Community Development Block Grant Program		14.228	various	-	203,571
Worksource Columbia Basin - Community Development Block Grant Program		14.228	various	-	108,144
Total State-Administered CDBG				<u>-</u>	<u>311,715</u>
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>351,715</u>
U.S. Department of Treasury					
Passed through from Washington State Department of Agriculture					
Commodity Supplemental Food Program - Gap	COVID-19	21.027	K2776	-	20,819
We Feed Washington	COVID-19	21.027	K3993	-	1,535,128
Emergency Food Assistance Program	COVID-19	21.027	K3494	-	268,163
Total Coronavirus State and Local Fiscal Recovery Funds (CSLFR)				<u>-</u>	<u>1,824,110</u>
Total U.S. Department of Treasury				<u>-</u>	<u>1,824,110</u>
U.S. Department of Homeland Security					
Passed through from Federal Emergency Management Agency (FEMA)					
Emergency Food and Shelter National Board Program		97.024	39-892800-003	-	14,114
Emergency Food and Shelter National Board Program	COVID-19	97.024	ARPAR-892800-003	-	105,080
Emergency Food and Shelter National Board Program	COVID-19	97.024	ARPAR-886200-018	-	16,750
Emergency Food and Shelter National Board Program	COVID-19	97.024	ARPAR-887200-017	-	15,000
Emergency Food and Shelter National Board Program		97.024	40-886200-018	-	5,438
Emergency Food and Shelter National Board Program		97.024	40-887800-017	-	1,000
Total U.S. Department of Homeland Security				<u>-</u>	<u>157,382</u>
Total Federal Expenditures				<u>\$ 3,947,277</u>	<u>\$ 7,201,361</u>

See accompanying notes to the schedules of expenditures of federal awards.

## Second Harvest Inland Northwest

### Notes to the Schedule of Expenditures of Federal Awards

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#### Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2023. 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 Organization, it is not intended to and does not present the financial position, statements of activities, change in net assets, or cash flows of the Organization.

#### Note 2 – 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 Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 3 – Financial Statement Classification of the Schedule of Expenditures of Federal Awards

The following details are provided to present classification of revenues recorded within the financial statements from the schedule of expenditures of federal awards.

##### Statement of Activities

Government fees and grants	\$ 2,905,548
Contributed nonfinancial assets	<u>4,295,813</u>
Total Expenditures of Federal Awards	<u><u>\$ 7,201,361</u></u>

Expenditures of federal awards are included in various program service expenses in the statement of activities.

## **Report of Independent Auditors 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 Inland Northwest

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 Inland Northwest, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Second Harvest Inland Northwest's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest Inland Northwest's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Harvest Inland Northwest's internal control.

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Second Harvest Inland Northwest'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Spokane, Washington

October 20, 2023

## **Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors  
Second Harvest Inland Northwest

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Second Harvest Inland Northwest's (Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Second Harvest Inland Northwest's major federal program for the year ended June 30, 2023. Second Harvest Inland Northwest's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Harvest Inland Northwest complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

#### ***Basis for Opinion on the Major Federal Program***

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

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

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Second Harvest Inland Northwest's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Moss Adams LLP*

Spokane, Washington  
October 20, 2023



**Second Harvest Inland Northwest  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

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

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>ALN Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified

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

Auditee qualified as low-risk auditee?  Yes  No

**Section II – Financial Statement Findings**

No matters were reported for the year ended June 30, 2023.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported for the year ended June 30, 2023.

