



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**SECOND HARVEST INLAND NORTHWEST**

June 30, 2019 and 2018

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## **Report of Independent Auditors**

To the Board of Directors  
Second Harvest Inland Northwest

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

We have audited the accompanying financial statements of Second Harvest Inland Northwest, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

## **Opinion**

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

## **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, Second Harvest Inland Northwest adopted Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other 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*, and the schedule of nonfederal awards, and the statements of activities detail 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 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 31, 2019, 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 31, 2019

## Second Harvest Inland Northwest Statements of Financial Position

### ASSETS

	June 30,	
	2019	2018
Cash and cash equivalents	\$ 1,917,870	\$ 1,983,630
Certificates of deposit	307,417	306,475
Investments	27,178	25,947
Beneficial interest in trust	97,928	98,638
Due from government agencies	265,741	157,578
Pledges receivable, net	897,521	57,527
Receivable from related party	2,625	6,300
Other accounts receivable, net of allowance for doubtful accounts of \$1,600 and \$1,000 for 2019 and 2018, respectively	79,095	123,979
Inventory, purchased, at lower of cost or net realizable value	384,598	245,311
Inventory, in-kind, at market	2,119,088	1,473,143
Inventory, in-kind, The Emergency Food Assistance Program (TEFAP), at market	483,763	263,284
Inventory, in-kind, Commodity Supplemental Food Program (CSFP), at market	44,686	24,987
Property and equipment, net	7,964,460	7,202,897
Other assets	109,191	34,158
	<u>\$ 14,701,161</u>	<u>\$ 12,003,854</u>

### LIABILITIES AND NET ASSETS

Accounts payable	\$ 87,690	\$ 80,961
Accrued payroll taxes and benefits	24,943	17,083
Accrued vacation	86,471	69,354
Refundable advances	13,139	56,580
Notes payable	826,810	761,469
	<u>1,039,053</u>	<u>985,447</u>

### NET ASSETS

Without donor restrictions		
Available for general activities	10,853,671	8,757,123
Designated by the governing board for		
Operating reserve	1,200,000	1,200,000
Information technology reserve	88,040	73,040
Facilities reserve	166,960	486,960
Fleet reserve	102,054	87,054
	<u>12,410,725</u>	<u>10,604,177</u>
With donor restrictions		
Time or purpose	1,169,949	332,796
Perpetuity	81,434	81,434
	<u>13,662,108</u>	<u>11,018,407</u>
Total net assets	<u>\$ 14,701,161</u>	<u>\$ 12,003,854</u>
Total liabilities and net assets	<u>\$ 14,701,161</u>	<u>\$ 12,003,854</u>

## Second Harvest Inland Northwest Statements of Activities

	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 3,791,633	\$ 1,122,949	\$ 4,914,582
Special events	779,068	-	779,068
Investment return, net	14,477	-	14,477
Purchase program	561,637	-	561,637
United Way contributions	131,488	-	131,488
Nonfederal organizations	757,300	-	757,300
Government fees and grants	1,721,339	-	1,721,339
In-kind contributions, food commodities, and services	86,770,222	-	86,770,222
Miscellaneous	297,760	-	297,760
Net assets released from restrictions	285,796	(285,796)	-
<b>Total revenue, gains, and other support</b>	<b>95,110,720</b>	<b>837,153</b>	<b>95,947,873</b>
Expenses			
Program services			
Warehousing	49,321,484	-	49,321,484
Washington produce	39,398,095	-	39,398,095
Nutrition education	503,592	-	503,592
TEFAP	2,353,325	-	2,353,325
CSFP	417,120	-	417,120
Support services			
Management and general	525,544	-	525,544
Fundraising	785,012	-	785,012
<b>Total expenses</b>	<b>93,304,172</b>	<b>-</b>	<b>93,304,172</b>
Change in net assets	1,806,548	837,153	2,643,701
NET ASSETS, beginning of year	10,604,177	414,230	11,018,407
NET ASSETS, end of year	\$ 12,410,725	\$ 1,251,383	\$ 13,662,108

## Second Harvest Inland Northwest Statements of Activities

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 3,369,510	\$ 318,515	\$ 3,688,025
Special events	816,709	-	816,709
Investment return, net	14,337	-	14,337
Purchase program	558,457	-	558,457
United Way contributions	113,262	-	113,262
Nonfederal organizations	727,931	-	727,931
Government fees and grants	1,005,203	-	1,005,203
In-kind contributions, food commodities, and services	102,942,137	-	102,942,137
Miscellaneous	271,466	-	271,466
Net assets released from restrictions	490,012	(490,012)	-
	110,309,024	(171,497)	110,137,527
Total revenue, gains, and other support			
Expenses			
Program services			
Warehousing	51,134,274	-	51,134,274
Washington produce	55,806,452	-	55,806,452
Nutrition education	377,259	-	377,259
TEFAP	1,446,655	-	1,446,655
CSFP	394,067	-	394,067
Support services			
Management and general	537,720	-	537,720
Fund-raising	741,232	-	741,232
	110,437,659	-	110,437,659
Total expenses			
Change in net assets	(128,635)	(171,497)	(300,132)
NET ASSETS, beginning of year	10,732,812	585,727	11,318,539
NET ASSETS, end of year	\$ 10,604,177	\$ 414,230	\$ 11,018,407

## Second Harvest Inland Northwest Statements of Functional Expenses

	Year Ended June 30, 2019			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 1,663,047	\$ -	\$ 376,690	\$ 123,981
Employee health and retirement benefits	332,540	-	80,216	31,985
Payroll taxes	188,054	-	38,915	16,365
<b>Total salaries and related benefits</b>	<b>2,183,641</b>	<b>-</b>	<b>495,821</b>	<b>172,331</b>
Professional fees	2,301	-	150	-
Contracted services	85,423	-	-	-
Supplies	127,892	-	1,697	2,281
Value added purchases	269,255	-	-	-
Telephone	25,115	-	-	1,612
Postage	13,155	-	-	-
Occupancy	191,269	-	1,583	13,683
Insurance	46,351	-	-	3,972
Equipment rent and maintenance	213,050	-	-	13,487
Printing, publications, and advertising	3,760	-	3,077	-
Travel and mileage	22,360	-	1,204	-
Motor freight and fleet gas	211,016	-	-	6,842
Conferences, conventions, and training	730	-	-	-
Assistance to individuals	45,410,101	39,398,095	-	2,127,838
Miscellaneous	1,294	-	60	-
Dues and fees	3,204	-	-	-
Agency reimbursements	52,069	-	-	11,279
Interest	-	-	-	-
<b>Total expenses before depreciation</b>	<b>48,861,986</b>	<b>39,398,095</b>	<b>503,592</b>	<b>2,353,325</b>
Depreciation	459,498	-	-	-
<b>Total expenses</b>	<b>\$ 49,321,484</b>	<b>\$ 39,398,095</b>	<b>\$ 503,592</b>	<b>\$ 2,353,325</b>



## Second Harvest Inland Northwest Statements of Functional Expenses

Year Ended June 30, 2019						
Program Services		Support Services			Total Expenses	
CSFP	Total	Management and General	Fund raising	Total		
\$ 77,247	\$ 2,240,965	\$ 161,854	\$ 348,529	\$ 510,383	\$ 2,751,348	
21,543	466,284	33,871	61,584	95,455	561,739	
10,813	254,147	7,072	31,424	38,496	292,643	
109,603	2,961,396	202,797	441,537	644,334	3,605,730	
-	2,451	43,852	8,125	51,977	54,428	
-	85,423	-	-	-	85,423	
1,417	133,287	3,747	26,749	30,496	163,783	
-	269,255	-	-	-	269,255	
1,062	27,789	3,197	-	3,197	30,986	
-	13,155	140	90,138	90,278	103,433	
3,599	210,134	11,114	30,471	41,585	251,719	
699	51,022	5,410	-	5,410	56,432	
7,693	234,230	25,025	51,808	76,833	311,063	
-	6,837	8,742	111,167	119,909	126,746	
-	23,564	-	-	-	23,564	
1,088	218,946	-	-	-	218,946	
-	730	34,374	1,649	36,023	36,753	
286,235	87,222,269	-	-	-	87,222,269	
-	1,354	25,472	7,313	32,785	34,139	
-	3,204	83,868	1,719	85,587	88,791	
5,724	69,072	-	14,336	14,336	83,408	
-	-	48,476	-	48,476	48,476	
417,120	91,534,118	496,214	785,012	1,281,226	92,815,344	
-	459,498	29,330	-	29,330	488,828	
<u>\$ 417,120</u>	<u>\$ 91,993,616</u>	<u>\$ 525,544</u>	<u>\$ 785,012</u>	<u>\$ 1,310,556</u>	<u>\$ 93,304,172</u>	

## Second Harvest Inland Northwest Statements of Functional Expenses

	Year Ended June 30, 2018			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 1,699,720	\$ -	\$ 280,962	\$ 68,346
Employee health and retirement benefits	385,899	-	59,790	21,664
Payroll taxes	187,717	-	27,056	9,798
<b>Total salaries and related benefits</b>	<b>2,273,336</b>	<b>-</b>	<b>367,808</b>	<b>99,808</b>
Professional fees	10,603	-	363	-
Contracted services	98,640	-	-	-
Supplies	155,101	-	975	1,329
Value added purchases	196,549	-	-	-
Telephone	22,727	-	-	704
Postage	13,240	-	-	-
Occupancy	184,376	-	-	10,108
Insurance	47,186	-	-	2,806
Equipment rent and maintenance	185,035	-	1,110	8,027
Printing, publications, and advertising	5,529	-	5,658	-
Travel and mileage	14,664	-	938	-
Motor freight and fleet gas	222,412	-	-	4,971
Conferences, conventions, and training	1,429	-	-	-
Assistance to individuals	47,173,776	55,806,452	-	1,311,035
Miscellaneous	4,189	-	18	-
Dues and fees	16,926	-	389	802
Agency reimbursements	44,817	-	-	7,065
Interest	-	-	-	-
<b>Total expenses before depreciation</b>	<b>50,670,535</b>	<b>55,806,452</b>	<b>377,259</b>	<b>1,446,655</b>
Depreciation	463,739	-	-	-
<b>Total expenses</b>	<b>\$ 51,134,274</b>	<b>\$ 55,806,452</b>	<b>\$ 377,259</b>	<b>\$ 1,446,655</b>

## Second Harvest Inland Northwest Statements of Functional Expenses

Year Ended June 30, 2018						
Program Services		Support Services			Total Expenses	
CSFP	Total	Management and General	Fund raising	Total		
\$ 58,133	\$ 2,107,161	\$ 177,517	\$ 258,920	\$ 436,437	\$ 2,543,598	
18,725	486,078	28,281	48,874	77,155	563,233	
8,499	233,070	7,920	21,718	29,638	262,708	
85,357	2,826,309	213,718	329,512	543,230	3,369,539	
-	10,966	47,445	44,336	91,781	102,747	
-	98,640	-	-	-	98,640	
1,080	158,485	4,204	37,767	41,971	200,456	
-	196,549	-	-	-	196,549	
621	24,052	4,046	-	4,046	28,098	
-	13,240	471	92,041	92,512	105,752	
3,425	197,909	20,098	27,310	47,408	245,317	
504	50,496	3,223	-	3,223	53,719	
5,795	199,967	17,879	42,808	60,687	260,654	
2,193	13,380	8,000	146,372	154,372	167,752	
-	15,602	776	-	776	16,378	
1,110	228,493	-	-	-	228,493	
-	1,429	22,296	396	22,692	24,121	
287,499	104,578,762	-	-	-	104,578,762	
-	4,207	25,035	5,268	30,303	34,510	
146	18,263	92,506	1,139	93,645	111,908	
6,337	58,219	-	14,283	14,283	72,502	
-	-	48,423	-	48,423	48,423	
394,067	108,694,968	508,120	741,232	1,249,352	109,944,320	
-	463,739	29,600	-	29,600	493,339	
<u>\$ 394,067</u>	<u>\$ 109,158,707</u>	<u>\$ 537,720</u>	<u>\$ 741,232</u>	<u>\$ 1,278,952</u>	<u>\$ 110,437,659</u>	

## Second Harvest Inland Northwest Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,643,701	\$ (300,132)
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of property and equipment	1,079	10,252
Depreciation	488,828	493,339
Unrealized (gains) and losses on marketable securities	(710)	1,584
In-kind contributions, food and services	(86,770,222)	(102,942,137)
In-kind distributions, food and services	85,884,099	103,368,596
In-kind contributions, property and equipment	-	(41,785)
Provision for doubtful accounts	600	-
Change in assets and liabilities		
Beneficial interest in trust	710	(1,830)
Receivables	(900,198)	227,457
Inventory, excluding in-kind donations	(139,287)	89,951
Other assets	(75,033)	(328)
Accounts payable	6,729	4,130
Accrued expenses	(18,464)	(110,144)
Net cash from operating activities	<u>1,121,832</u>	<u>798,953</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(1,155,377)	(301,564)
Purchase of investments	(16,650)	(15,022)
Net income from interest and dividends	15,187	12,753
Net cash used by investing activities	<u>(1,156,840)</u>	<u>(303,833)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of notes payable	<u>(30,752)</u>	<u>(31,255)</u>
Net cash from financing activities	<u>(30,752)</u>	<u>(31,255)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(65,760)	463,865
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,983,630</u>	<u>1,519,765</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,917,870</u>	<u>\$ 1,983,630</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 48,476</u>	<u>\$ 48,423</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Noncash acquisition of financed plant, property, and equipment	<u>\$ 96,093</u>	<u>\$ -</u>

## 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 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, 2019 or 2018.

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.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 1 – Significant Accounting Policies (continued)

**Investments** – 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.

**In-kind contributions** – 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 \$1.62 and \$1.68 per pound during 2019 and 2018, respectively.

The Organization also receives materials, fleet maintenance, printing, marketing, and other services that are donated. Management recorded \$21,489 and \$45,288 of in-kind materials, fleet maintenance, printing, marketing, and other services for the years ended June 30, 2019 and 2018, respectively.

**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 \$1,500, 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.

**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.

**Refundable advances** – Refundable advances are recognized for program (grant) advances received by the Organization in excess of grant expenditures.

**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.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 1 – Significant Accounting Policies (continued)

**Contributed services** – The Organization records various types of contributed professional services. 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.

For the years ended June 30, 2019 and 2018, a substantial number of unpaid volunteers have made significant contributions of approximately 57,472 and 78,500 hours, respectively, to the operations of the Organization. The value of this contributed time, estimated to be \$644,318 and \$785,183, 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, 2019 and 2018, promotional advertising expenses of \$15,716 and \$58,428, respectively, were incurred.

**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.

**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, 2019 and 2018, no assets had been written down.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 1 – Significant Accounting Policies (continued)

**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, 2019 and 2018. No interest or penalties were accrued for the years ended June 30, 2019 and 2018. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the Washington charities division.

**New accounting pronouncements** – The Organization adopted Accounting Standards Update (ASU) 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* during the year ended June 30, 2019. The standard is intended to improve net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows.

The standard requires the Organization to reclassify its net assets from three categories into two categories. It also requires enhanced disclosures for board designations, composition of net assets without donor restrictions, liquidity, and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions. The liquidity disclosure can be found in Note 16.

**Recent accounting pronouncements** – Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers*, amending revenue recognition guidance and requiring more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance, as amended, is effective for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the standard on the financial statements.

FASB issued ASU No. 2016-02, *Leases (Topic 842)*, establishing the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. For nonpublic entities, this update is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of the standard on the financial statements.

**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.



## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 1 – Significant Accounting Policies (continued)

**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 31, 2019, 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.

**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.

## Second Harvest Inland Northwest

### Notes to Financial Statements

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#### 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 2% to 4%. Management has determined the promises receivable to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2019 and 2018.

The discounted balance of promises to give at June 30:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	\$ 934,973	\$ 61,000
Less unamortized discount	<u>(37,452)</u>	<u>(3,473)</u>
Unconditional promises to give	<u>\$ 897,521</u>	<u>\$ 57,527</u>

Promises to give at June 30, 2019, are expected be realized in the following periods:

Amounts due in	
Less than one year	\$ 344,267
One to five years	392,994
Thereafter	<u>160,260</u>
	<u>\$ 897,521</u>

#### Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Projects in process	\$ 12,340	\$ 22,050
Land	476,629	345,159
Buildings	5,958,404	4,990,908
Building improvements	3,258,534	3,253,313
Vehicles	1,260,374	1,192,453
Office equipment	432,951	386,964
Warehouse and kitchen equipment	<u>1,986,654</u>	<u>1,963,017</u>
	13,385,886	12,153,864
Less accumulated depreciation	<u>5,421,426</u>	<u>4,950,967</u>
	<u>\$ 7,964,460</u>	<u>\$ 7,202,897</u>

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 5 – Notes Payable

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

	2019	2018
Note payable to Numerica Credit Union in monthly installments of \$572. Note was paid off February 10, 2019. The interest rate was 3.24% and the note was secured by the related vehicle.	\$ -	\$ 4,514
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.	730,717	756,955
Note payable to Numerica Credit Union in monthly interest only installments until April 15, 2020. Payments of principal and interest begin on April 15, 2020. The note is due in full on March 15, 2029. The interest rate is 4.81% and the note is secured by the related land and building.	96,093	-
	\$ 826,810	\$ 761,469

A summary of scheduled principal maturities of the notes payable is as follows:

2020	\$ 30,087
2021	38,608
2022	40,955
2023	43,448
2024	46,095
Thereafter	627,617
	\$ 826,810

### 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, 2019 and 2018, were \$159,558 and \$151,644, respectively.

## **Second Harvest Inland Northwest**

### **Notes to Financial Statements**

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#### **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 year ended June 30, 2019, were \$11,000. There were no plan expenses for the period ended June 30, 2018.

#### **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 \$1,212,500 in fiscal year 2012 from the Washington State Department of Commerce Local and Community Projects Program that was used to renovate and expand the Spokane 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 there will be no change of use of the property during the period specified by the grant.

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.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 10 – Net Assets With Donor Restrictions

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

	June 30,	
	2019	2018
Contributions restricted in perpetuity	\$ 81,434	\$ 81,434
Beef Counts	21,839	32,871
Bite 2 Go	195,446	223,703
Dairy for Life	16,814	16,197
Promise to give (time restriction)	897,521	57,527
Estate gifts (time restriction)	38,329	2,498
	\$ 1,251,383	\$ 414,230

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

	June 30,	
	2019	2018
Beef Counts	\$ 32,871	\$ 18,468
Bite 2 Go	223,704	175,721
Dairy for Life	16,197	33,942
Promises to give	13,024	11,379
Estate gifts	-	250,502
	\$ 285,796	\$ 490,012

### 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.

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 11 – Endowment (continued)

In accordance with WUPMIFA, 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 \$81,434 as of June 30, 2019 and 2018.

### Note 12 – Investments

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

Investments consist of the following:

	June 30, 2019		June 30, 2018	
	Cost	Market	Cost	Market
Government security - mutual fund	\$ 25,000	\$ 27,178	\$ 25,000	\$ 25,947

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

	2019	2018
Net investment return (primarily certificates of deposit interest)	\$ 15,187	\$ 12,753
Net unrealized and realized (gains) losses on investments, at market	(710)	1,584
	<u>\$ 14,477</u>	<u>\$ 14,337</u>

## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 13 – Line of Credit

The Organization has a \$750,000 unsecured line of credit with Banner Bank, which bears interest at the rate of the Wall Street Journal prime rate as published in the West Coast edition plus 0.50% (5.25% at June 30, 2019) and expires December 1, 2019. There was no outstanding balance at June 30, 2019 or 2018.

### Note 14 – 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.

*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.

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 2019 fiscal year.

## Second Harvest Inland Northwest

### Notes to Financial Statements

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#### Note 14 – Fair Value of Financial Instruments (continued)

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, 2019	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Investments, mutual funds	\$ 27,178	\$ 27,178	\$ -
Certificates of deposit	307,417	-	307,417
Beneficial interest in trust	97,928	-	97,928
	June 30, 2018	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Investments, mutual funds	\$ 25,947	\$ 25,947	\$ -
Certificates of deposit	306,475	-	306,475
Beneficial interest in trust	98,638	-	98,638

#### Note 15 – 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, 2019 and 2018, the Organization paid \$20,000 and \$40,000, respectively, to Feeding Washington in the form of membership dues. During the years ended June 30, 2019 and 2018, the Organization recorded \$11,028 and \$12,244, respectively, in miscellaneous reimbursement revenue from Feeding Washington for staff salaries, supplies, and other expenses.



## Second Harvest Inland Northwest Notes to Financial Statements

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### Note 16 – Liquidity and Availability of Financial Assets

**Availability and liquidity** – The following represents Second Harvest Inland Northwest’s financial assets at June 30, 2019 and 2018:

	2019	2018
Financial assets at year-end		
Cash and cash equivalents	\$ 1,917,870	\$ 1,983,630
Certificates of deposit	307,417	306,475
Investments	27,178	25,947
Beneficial interest in trust	97,928	98,638
Due from government agencies	265,741	157,578
Pledges receivable, net	897,521	57,527
Receivable from related party	2,625	6,300
Other accounts receivable, net of allowance for doubtful accounts	79,095	123,979
Total financial assets	3,595,375	2,760,074
Less amounts unavailable for general expenditures within one year		
Net assets with donor restrictions	1,251,383	414,230
Less net assets with donor restrictions to be met in less than a year	(616,695)	(285,796)
Total amounts unavailable to be used within one year	634,688	128,434
Financial assets available to meet general expenditures over the next 12 months	\$ 2,960,687	\$ 2,631,640

Second Harvest Inland Northwest’s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.9 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 has a \$750,000 line of credit available to meet cash flow needs.

## **Supplementary Information**

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## Second Harvest Inland Northwest Statements of Activities Detail

BREAKDOWN BY PROGRAM	Year Ended June 30, 2019			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Contributions	\$ 4,904,582	\$ -	\$ 10,000	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	561,637	-	-	-
United Way contributions	131,488	-	-	-
Nonfederated organizations	757,300	-	-	-
Government fees and grants	1,121,512	-	238,947	274,952
In-kind contributions	44,706,962	39,398,095	-	2,348,317
Miscellaneous	206,809	-	58,039	-
Total revenue, gains, and other support	<u>52,390,290</u>	<u>39,398,095</u>	<u>306,986</u>	<u>2,623,269</u>
<b>EXPENSES</b>				
Support services	-	-	-	-
Program services	<u>49,321,484</u>	<u>39,398,095</u>	<u>503,592</u>	<u>2,353,325</u>
Total expenses	<u>49,321,484</u>	<u>39,398,095</u>	<u>503,592</u>	<u>2,353,325</u>
Change in net assets	<u>\$ 3,068,806</u>	<u>\$ -</u>	<u>\$ (196,606)</u>	<u>\$ 269,944</u>

## Second Harvest Inland Northwest Statements of Activities Detail

Year Ended June 30, 2019					
Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 4,914,582	\$ -	\$ -	\$ -	\$ 4,914,582
-	-	-	779,068	779,068	779,068
-	-	14,477	-	14,477	14,477
-	561,637	-	-	-	561,637
-	131,488	-	-	-	131,488
-	757,300	-	-	-	757,300
85,928	1,721,339	-	-	-	1,721,339
305,934	86,759,308	442	10,472	10,914	86,770,222
-	264,848	32,912	-	32,912	297,760
<u>391,862</u>	<u>95,110,502</u>	<u>47,831</u>	<u>789,540</u>	<u>837,371</u>	<u>95,947,873</u>
-	-	525,544	785,012	1,310,556	1,310,556
417,120	91,993,616	-	-	-	91,993,616
<u>417,120</u>	<u>91,993,616</u>	<u>525,544</u>	<u>785,012</u>	<u>1,310,556</u>	<u>93,304,172</u>
<u>\$ (25,258)</u>	<u>\$ 3,116,886</u>	<u>\$ (477,713)</u>	<u>\$ 4,528</u>	<u>\$ (473,185)</u>	<u>\$ 2,643,701</u>

## Second Harvest Inland Northwest Statements of Activities Detail

	Year Ended June 30, 2018			
	Program Services			
BREAKDOWN BY PROGRAM	Warehousing	Washington Produce	Nutrition Education	TEFAP
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 3,602,822	\$ -	\$ 85,203	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	558,457	-	-	-
United Way contributions	113,262	-	-	-
Nonfederated organizations	727,931	-	-	-
Government fees and grants	581,170	-	178,195	163,334
In-kind contributions	45,611,157	55,806,452	32	1,248,726
Miscellaneous	226,609	-	44,357	-
Total revenue, gains, and other support	51,421,408	55,806,452	307,787	1,412,060
EXPENSES				
Support services	-	-	-	-
Program services	51,134,274	55,806,452	377,259	1,446,655
Total expenses	51,134,274	55,806,452	377,259	1,446,655
Change in net assets	\$ 287,134	\$ -	\$ (69,472)	\$ (34,595)

## Second Harvest Inland Northwest Statements of Activities Detail

Year Ended June 30, 2018					
Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 3,688,025	\$ -	\$ -	\$ -	\$ 3,688,025
-	-	-	816,709	816,709	816,709
-	-	14,337	-	14,337	14,337
-	558,457	-	-	-	558,457
-	113,262	-	-	-	113,262
-	727,931	-	-	-	727,931
82,504	1,005,203	-	-	-	1,005,203
272,661	102,939,028	-	3,109	3,109	102,942,137
-	270,966	500	-	500	271,466
355,165	109,302,872	14,837	819,818	834,655	110,137,527
-	-	537,720	741,232	1,278,952	1,278,952
394,067	109,158,707	-	-	-	109,158,707
394,067	109,158,707	537,720	741,232	1,278,952	110,437,659
\$ (38,902)	\$ 144,165	\$ (522,883)	\$ 78,586	\$ (444,297)	\$ (300,132)

## Second Harvest Inland Northwest Schedule of Expenditures of Nonfederal Awards

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Grantor/Pass-Through Grantor/Program Title	Year Ended June 30, 2019			
	Federal CFDA Number	Grantor's Number	Passed Through to Subrecipients	Total Expenditures
Washington State Department of Agriculture Emergency Food Assistance Program	N/A	K2183	\$ 34,069	\$ 378,541
Total Nonfederal Expenditures			<u>\$ 34,069</u>	<u>\$ 378,541</u>



## Second Harvest Inland Northwest Schedule of Expenditures of Federal Awards

Grantor/Pass-Through Grantor/Program Title	Year Ended June 30, 2019			Total Expenditures
	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	
United States Department of Agriculture				
Passed through from Washington State Department of Agriculture				
Food Distribution Cluster				
The Emergency Food Assistance Program- Food Commodities	10.569	99586	\$ 439,290	\$ 439,383
Food Commodities	10.569	99586	1,023,597	1,026,429
Food Commodities Subtotal			1,462,887	1,465,812
The Emergency Food Assistance Program	10.568	99586	1,168	55,193
The Emergency Food Assistance Program	10.568	99586	10,111	171,662
The Emergency Food Assistance Program Subtotal			11,279	226,855
Total TEFAP			1,474,166	1,692,667
Commodity Supplemental Food Program - Food Commodities				
Food Commodities	10.565	99608	61,957	62,036
Food Commodities	10.565	99608	223,535	223,827
Commodity Supplemental Food Program	10.565	99608	1,005	21,926
Commodity Supplemental Food Program	10.565	99608	4,719	64,002
Total CSFP			291,216	371,791
Total Food Distribution Cluster			1,765,382	2,064,458
Passed through from Washington State Department of Agriculture				
The Emergency Food Assistance Program- Food Commodities - Trade Mitigation				
The Emergency Food Assistance Program - Trade Mitigation	10.178	99586	661,977	661,977
The Emergency Food Assistance Program - Trade Mitigation	10.178	99586	-	48,097
The Emergency Food Assistance Program - Trade Mitigation Subtotal			661,977	710,074
Passed through from Spokane Regional Health District				
Supplemental Nutrition Assistance Program Cluster				
Supplemental Nutrition Assistance Program	10.561	300-731-1106	-	18,433
Supplemental Nutrition Assistance Program	10.561	300-731-1106	-	48,842
Passed through from Washington State Department of Health				
Supplemental Nutrition Assistance Program - Education				
Supplemental Nutrition Assistance Program - Education	10.561	CBO22831	-	14,450
Supplemental Nutrition Assistance Program - Education	10.561	CBO22831	-	43,245
Passed through from People for People				
Basic Food Outreach Program				
Basic Food Outreach Program	10.561	2HINW-1713-15508	-	20,229
Basic Food Outreach Program	10.561	2HINW-1713-15508	-	93,747
Total SNAP Cluster			-	238,946
Total United States Department of Agriculture			2,427,359	3,013,478
Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster				
Passed through from				
Spokane County - Community Development Block Grant Program	14.218	B18UC530004	-	40,000
City of Spokane - Community Development Block Grant Program	14.218	OPR 2017-0700	-	87,074
City of Spokane - Community Development Block Grant Program	14.218	OPR 2018-0794	-	550,000
Total CDBG - Entitlement Grants Cluster			-	677,074
Total Department of Housing and Urban Development			-	677,074
Federal Emergency Management Agency (FEMA)				
Emergency Food and Shelter National Board Program	97.024		-	21,200
Emergency Food and Shelter National Board Program	97.024		-	4,381
Emergency Food and Shelter National Board Program	97.024		-	31,859
Emergency Food and Shelter National Board Program	97.024		-	14,216
Emergency Food and Shelter National Board Program	97.024		-	3,554
Total Federal Emergency Management Agency (FEMA)			-	75,210
Total Federal Expenditures			\$ 2,427,359	\$ 3,765,762

## **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, 2019. 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.

**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***

To 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 (Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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, and therefore material weakness and significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

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

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 31, 2019

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

To the Board of Directors  
Second Harvest Inland Northwest

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

We have audited Second Harvest Inland Northwest's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditor's 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

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

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Organization'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.

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 31, 2019

**Second Harvest Inland Northwest  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019**

**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>CFDA 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>
Various	Food Distribution Cluster	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, 2019.

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

No matters were reported for the year ended June 30, 2019.

