REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

# SECOND HARVEST INLAND NORTHWEST

June 30, 2020 and 2019

MOSSADAMS

# Table of Contents

# 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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

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

## 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, the schedule of expenditures of nonfederal awards, and the statements of activities detail are presented for purposes of additional analysis and a 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 29, 2020, 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 29, 2020

### ASSETS

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Cash and cash equivalents | $ 7,920,706 | $ 1,917,870 |
| Certificates of deposit | 112,698 | 307,417 |
| Investments | 28,556 | 27,178 |
| Beneficial interest in trust | 93,510 | 97,928 |
| Due from government agencies | 1,003,765 | 265,741 |
| Pledges receivable, net | 597,505 | 897,521 |
| Receivable from related party | 7,200 | 2,625 |
| Other accounts receivable, net of allowance for doubtful accounts of $500 and $1,600 for 2020 and 2019, respectively | 530,722 | 79,095 |
| Inventory, purchased, at lower of cost or net realizable value | 289,924 | 384,598 |
| Inventory, in-kind, at market | 4,134,449 | 2,119,088 |
| Inventory, in-kind, The Emergency Food Assistance Program (TEFAP) | 999,736 | 483,763 |
| Inventory, in-kind, Commodity Supplemental Food Program (CSFP) | 63,019 | 44,686 |
| Property and equipment, net | 8,182,290 | 7,964,460 |
| Other assets | 114,325 | 109,191 |
| Total assets | $ 24,078,405 | $ 14,701,161 |

### LIABILITIES AND NET ASSETS

| | 2020 | 2019 |
|---|---|---|
| Accounts payable | $ 143,913 | $ 87,690 |
| Accrued payroll taxes and benefits | 49,971 | 24,943 |
| Accrued vacation | 130,333 | 86,471 |
| Refundable advances | 470,859 | 13,139 |
| Notes payable | 798,399 | 826,810 |
| Total liabilities | 1,593,475 | 1,039,053 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Available for general activities | 18,321,058 | 10,853,671 |
| Designated by the governing board for | | |
| Operating reserve | 1,700,000 | 1,200,000 |
| Information technology reserve | 128,040 | 88,040 |
| Facilities reserve | 546,960 | 166,960 |
| Fleet reserve | 267,054 | 102,054 |
| Total without donor restrictions | 20,963,112 | 12,410,725 |
| With donor restrictions | | |
| Time or purpose | 1,440,384 | 1,169,949 |
| Perpetuity | 81,434 | 81,434 |
| Total net assets | 22,484,930 | 13,662,108 |
| Total liabilities and net assets | $ 24,078,405 | $ 14,701,161 |

See accompanying notes.

# Second Harvest Inland Northwest
## Statements of Activities

| | Year Ended June 30, 2020 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains, and Other Support | | | |
| Contributions | $ 8,048,996 | $ 859,653 | $ 8,908,649 |
| Special events | 610,764 | - | 610,764 |
| Investment return, net | 12,243 | - | 12,243 |
| Purchase program | 571,796 | - | 571,796 |
| United Way contributions | 102,372 | - | 102,372 |
| Nonfederal organizations | 2,555,683 | - | 2,555,683 |
| Government fees and grants | 3,118,369 | - | 3,118,369 |
| In-kind contributions, food commodities, and services | 117,287,197 | - | 117,287,197 |
| PPP federal grant | 264,428 | - | 264,428 |
| Miscellaneous | 195,470 | - | 195,470 |
| Net assets released from restrictions | 589,218 | (589,218) | - |
| Total revenue, gains, and other support | 133,356,536 | 270,435 | 133,626,971 |
| Expenses | | | |
| Program services | | | |
| Warehousing | 72,949,303 | - | 72,949,303 |
| Washington produce | 43,339,666 | - | 43,339,666 |
| Nutrition education | 508,653 | - | 508,653 |
| TEFAP | 6,088,849 | - | 6,088,849 |
| CSFP | 521,897 | - | 521,897 |
| Support services | | | |
| Management and general | 700,031 | - | 700,031 |
| Fundraising | 695,750 | - | 695,750 |
| Total expenses | 124,804,149 | - | 124,804,149 |
| Change in net assets | 8,552,387 | 270,435 | 8,822,822 |
| NET ASSETS, beginning of year | 12,410,725 | 1,251,383 | 13,662,108 |
| NET ASSETS, end of year | $ 20,963,112 | $ 1,521,818 | $ 22,484,930 |

| | 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) | - |
| Total revenue, gains, and other support | 95,110,720 | 837,153 | 95,947,873 |
| 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 |
| Total expenses | 93,304,172 | - | 93,304,172 |
| 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 Functional Expenses

| | Year Ended June 30, 2020 | | | |
|---|---|---|---|---|
| | Program Services | | | |
| | Warehousing | Washington Produce | Nutrition Education | TEFAP |
| Salaries | $ 1,973,577 | $ - | $ 375,856 | $ 378,458 |
| Employee health and retirement benefits | 378,917 | - | 79,105 | 59,942 |
| Payroll taxes | 212,850 | - | 40,977 | 42,081 |
| Total salaries and related benefits | 2,565,344 | - | 495,938 | 480,481 |
| Professional fees | - | - | - | - |
| Contracted services | 49,949 | - | - | - |
| Supplies | 310,884 | - | 7,716 | 12,362 |
| Value added purchases | 1,497,319 | - | - | - |
| Telephone | 36,983 | - | - | 6,149 |
| Postage | 14,703 | - | - | - |
| Occupancy | 210,014 | - | - | 20,980 |
| Insurance | 51,585 | - | - | 8,791 |
| Equipment rent and maintenance | 267,222 | - | 377 | 34,722 |
| Printing, publications, and advertising | 3,100 | - | 4,559 | - |
| Travel and mileage | 14,492 | - | - | - |
| Motor freight and fleet gas | 256,442 | - | - | 12,243 |
| Conferences, conventions, and training | 25 | - | - | - |
| Assistance to individuals | 67,085,283 | 43,339,666 | - | 5,490,720 |
| Miscellaneous | 28,804 | - | - | - |
| Dues and fees | 1,206 | - | 63 | - |
| Agency reimbursements | 79,840 | - | - | 22,401 |
| Interest | - | - | - | - |
| Total expenses before depreciation | 72,473,195 | 43,339,666 | 508,653 | 6,088,849 |
| Depreciation | 476,108 | - | - | - |
| Total expenses | $ 72,949,303 | $ 43,339,666 | $ 508,653 | $ 6,088,849 |



See accompanying notes.

| Year Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|
| Program Services | | Support Services | | | |
| CSFP | Total | Management and General | Fundraising | Total | Total Expenses |
| $ 106,982 | $ 2,834,873 | $ 193,196 | $ 328,216 | $ 521,412 | $ 3,356,285 |
| 26,806 | 544,770 | 45,270 | 54,966 | 100,236 | 645,006 |
| 13,857 | 309,765 | 10,067 | 28,467 | 38,534 | 348,299 |
| 147,645 | 3,689,408 | 248,533 | 411,649 | 660,182 | 4,349,590 |
| - | - | 66,067 | 79,541 | 145,608 | 145,608 |
| - | 49,949 | - | - | - | 49,949 |
| 3,493 | 334,455 | 7,829 | 14,201 | 22,030 | 356,485 |
| - | 1,497,319 | - | - | - | 1,497,319 |
| 2,000 | 45,132 | 7,600 | 458 | 8,058 | 53,190 |
| - | 14,703 | 1,460 | 79,105 | 80,565 | 95,268 |
| 3,325 | 234,319 | 12,986 | 10,850 | 23,836 | 258,155 |
| 610 | 60,986 | 3,893 | - | 3,893 | 64,879 |
| 8,020 | 310,341 | 44,728 | 38,234 | 82,962 | 393,303 |
| 299 | 7,958 | 12,644 | 59,222 | 71,866 | 79,824 |
| - | 14,492 | - | - | - | 14,492 |
| 1,013 | 269,698 | - | - | - | 269,698 |
| - | 25 | 29,606 | 22 | 29,628 | 29,653 |
| 349,473 | 116,265,142 | - | - | - | 116,265,142 |
| - | 28,804 | 50,927 | 174 | 51,101 | 79,905 |
| - | 1,269 | 134,309 | 2,294 | 136,603 | 137,872 |
| 6,019 | 108,260 | - | - | - | 108,260 |
| - | - | 49,059 | - | 49,059 | 49,059 |
| 521,897 | 122,932,260 | 669,641 | 695,750 | 1,365,391 | 124,297,651 |
| - | 476,108 | 30,390 | - | 30,390 | 506,498 |
| $ 521,897 | $ 123,408,368 | $ 700,031 | $ 695,750 | $ 1,395,781 | $ 124,804,149 |

# 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 |
| Total salaries and related benefits | 2,183,641 | - | 495,821 | 172,331 |
| 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 | - | - | - | - |
| Total expenses before depreciation | 48,861,986 | 39,398,095 | 503,592 | 2,353,325 |
| Depreciation | 459,498 | - | - | - |
| Total expenses | $ 49,321,484 | $ 39,398,095 | $ 503,592 | $ 2,353,325 |



See accompanying notes.

Year Ended June 30, 2019

| Program Services | | Support Services | | | |
|---|---|---|---|---|---|
| CSFP | Total | Management and General | Fundraising | Total | Total Expenses |
| $ 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 |
| $ 417,120 | $ 91,993,616 | $ 525,544 | $ 785,012 | $ 1,310,556 | $ 93,304,172 |

# Second Harvest Inland Northwest
## Statements of Cash Flows

| | Years Ended June 30, 2020 | 2019 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ 8,822,822 | $ 2,643,701 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Loss on disposal of property and equipment | 4,342 | 1,079 |
| Depreciation | 506,498 | 488,828 |
| Unrealized (gains) and losses on marketable securities | - | (710) |
| Net income from interest and dividends | 12,243 | 15,187 |
| In-kind contributions, food and services | (117,287,197) | (86,770,222) |
| In-kind distributions, food and services | 114,737,530 | 85,884,099 |
| Provision for doubtful accounts | 6,909 | 600 |
| Change in assets and liabilities | | |
| Beneficial interest in trust | 4,418 | 710 |
| Receivables | (901,119) | (900,198) |
| Inventory, excluding in-kind donations | 94,674 | (139,287) |
| Other assets | (5,134) | (75,033) |
| Accounts payable | 56,223 | 6,729 |
| Accrued expenses | 526,610 | (18,464) |
| Net cash from operating activities | 6,578,819 | 1,137,019 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (728,670) | (1,155,377) |
| Purchase (sale) of investments | 181,098 | (16,650) |
| Net cash used by investing activities | (547,572) | (1,172,027) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments of notes payable | (28,411) | (30,752) |
| Net cash from financing activities | (28,411) | (30,752) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 6,002,836 | (65,760) |
| CASH AND CASH EQUIVALENTS, beginning of year | 1,917,870 | 1,983,630 |
| CASH AND CASH EQUIVALENTS, end of year | $ 7,920,706 | $ 1,917,870 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

**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, 2020 or 2019.

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.

### 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 $1.74 and $1.62 per pound during 2020 and 2019, 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.

**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, 2020 and 2019, a substantial number of unpaid volunteers have made significant contributions of approximately 74,209 and 64,431 hours, respectively, to the operations of the Organization. The value of this contributed time, estimated to be $742,090 and $644,318, 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, 2020 and 2019, promotional advertising expenses of $7,064 and $15,716, 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, 2020 and 2019, no assets had been written down.

**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, 2020 and 2019. No interest or penalties were accrued for the years ended June 30, 2020 and 2019. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the Washington charities division.

**Recent accounting pronouncements** – Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

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.

FASB issued ASU No. 2018-08 – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made – Not-for-Profit Entities* (Topic 958). The Organization adopted this standard during the year ended June 30, 2020. The ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The adoption did not result in a material change to how the Organization accounts for revenue from contributions, grants and contracts.

FASB issued ASU No. 2020-05 – *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), which amends the effective dates for certain entities. This ASU defers implementation of Accounting Standards Codification (ASC) Topic 606 to reporting periods beginning after December 15, 2019, for all entities other than public business entities or NFP 's with conduit or public securities. The ASU also defers implementation of Topic 842, *Leases*, for public entities fiscal years beginning after December 15, 2019, and all other entities for fiscal years beginning after December 15, 2021. As the Organization had not previously adopted the revenue recognition or leases standards yet, they elected, by adopting this standard, to delay the implementation of the standards until fiscal year 2021 for the Revenue standard and fiscal year 2023 for the Lease standard.

FASB issued ASU No. 2020-07 – *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Not-for-Profit (NFP) organizations shall present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This guidance shall be applied retrospectively for fiscal years ending after June 15, 2021, and early adoption is permitted. Management is evaluating the impact of this standard to the financial statements and has not early adopted.

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

**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 29, 2020, 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.

### 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, 2020 and 2019.

The discounted balance of promises to give at June 30:

| | 2020 | 2019 |
|---|---|---|
| Unconditional promises to give | $ 614,619 | $ 934,973 |
| Less unamortized discount | (17,114) | (37,452) |
| Unconditional promises to give | $ 597,505 | $ 897,521 |

Promises to give at June 30, 2020, are expected be realized in the following periods:

| | |
|---|---|
| Amounts due in | |
| Less than one year | $ 173,797 |
| One to five years | 302,242 |
| Thereafter | 121,466 |
| | $ 597,505 |

### Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

| | 2020 | 2019 |
|---|---|---|
| Projects in process | $ 280,146 | $ 12,340 |
| Land | 476,629 | 476,629 |
| Buildings | 5,958,404 | 5,958,404 |
| Building improvements | 3,356,258 | 3,258,534 |
| Vehicles | 1,323,607 | 1,260,374 |
| Office equipment | 456,659 | 432,951 |
| Warehouse and kitchen equipment | 2,246,990 | 1,986,654 |
| | 14,098,693 | 13,385,886 |
| Less accumulated depreciation | 5,916,403 | 5,421,426 |
| | $ 8,182,290 | $ 7,964,460 |

## Note 5 – Notes Payable

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

| | 2020 | 2019 |
|---|---|---|
| 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. | $ 702,856 | $ 730,717 |
| Note payable to Numerica Credit Union in monthly interest-only installments until April 15, 2021. Payments of principal and interest begin on April 15, 2021. The note is due in full on March 15, 2030. The variable interest rate is at index rate plus 1.4% (3.02% at June 30, 2020) and the note is secured by the related land and buildin | 95,543 | 96,093 |
| | $ 798,399 | $ 826,810 |

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

| | |
|---|---|
| 2021 | $ 32,312 |
| 2022 | 42,177 |
| 2023 | 44,534 |
| 2024 | 47,032 |
| 2025 | 49,680 |
| Thereafter | 582,664 |
| | $ 798,399 |

## 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, 2020 and 2019, were $181,012 and $159,558, 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, 2020 and 2019, were $12,509 and $11,000, respectively.

### 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.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. The Organization’s results of operations could be adversely affected to the extent that the coronavirus or any other epidemic harms the economy. The Board of Director’s and the Organization’s management are monitoring the outbreak and potential financial impact, which are currently uncertain. The duration and intensity of the impact of the coronavirus and resulting disruption to the Organization’s operations are uncertain and could adversely affect financial results.

### 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:

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Contributions restricted in perpetuity | $ 81,434 | $ 81,434 |
| Beef Counts | 20,674 | 21,839 |
| Bite 2 Go | 284,212 | 195,446 |
| Dairy for Life | 17,993 | 16,814 |
| Promise to give (time restriction) | 597,505 | 897,521 |
| Estate gifts (time restriction) | 520,000 | 38,329 |
| | $ 1,521,818 | $ 1,251,383 |

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

| | June 30, 2020 | June 30, 2019 |
|---|---|---|
| Beef Counts | $ 21,839 | $ 32,871 |
| Bite 2 Go | 195,446 | 223,704 |
| Dairy for Life | 16,814 | 16,197 |
| Promises to give | 316,790 | 13,024 |
| Estate gifts | 38,329 | - |
| | $ 589,218 | $ 285,796 |

### 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.

### 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, 2020 and 2019.

### 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, 2020 | | June 30, 2019 | |
|---|---|---|---|---|
| | Cost | Market | Cost | Market |
| Government security - mutual fund | $ 25,000 | $ 28,556 | $ 25,000 | $ 27,178 |

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

| | 2020 | 2019 |
|---|---|---|
| Net investment return (primarily certificates of deposit interest) | $ 12,243 | $ 15,187 |
| Net unrealized and realized (gains) losses on investments, at market | - | (710) |
| | $ 12,243 | $ 14,477 |

### 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% (3.75% at June 30, 2020) and expires December 1, 2020. There was no outstanding balance at June 30, 2020 or 2019.

### 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 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 2020 fiscal year.

### 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:

| | | Fair Value Measurement at Reporting Date Using | |
|---|---|---|---|
| | June 30, 2020 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Assets | | | |
| Investments, mutual funds | $ 28,556 | $ 28,556 | $ - |
| Certificates of deposit | 112,698 | - | 112,698 |
| Beneficial interest in trust | 93,510 | - | 93,510 |

| | | Fair Value Measurement at Reporting Date Using | |
|---|---|---|---|
| | June 30, 2019 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| Assets | | | |
| Investments, mutual funds | $ 27,178 | $ 27,178 | $ - |
| Certificates of deposit | 307,417 | - | 307,417 |
| Beneficial interest in trust | 97,928 | - | 97,928 |

### Note 15 – PPP Federal Grant

On April 23, 2020, Second Harvest Inland Northwest was received a paycheck protection program loan in the amount of $702,900 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. Using guidance provided under ASC-958-605, the Organization has accounted for the paycheck protection program note as a conditional contribution. The Organization has reviewed and complied with each of the loan forgiveness terms, as described in Section 1106 of the federal Corona Aid, Relief, and Economic Security Act (CARES Act) and thus the conditions of the PPP government grant were substantially met for the expended portions through June 30, 2020. As such, $264,428 has been recognized as revenue in the current fiscal year, and $438,472 has been recorded in refundable advances as of June, 30, 2020. The refundable advance balance will be recognized as the payroll expenditures have been expended in fiscal year 2021. However, if a portion of the loan must be repaid, the terms (1% per annum, repayable over a maximum of five years with a six-month deferral period) are such that the Organization has sufficient liquidity to repay the unforgiven portion.

### Note 16 – 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, 2020 and 2019, the Organization paid $40,000 and $20,000, respectively, to Feeding Washington in the form of membership dues. During the years ended June 30, 2020 and 2019, the Organization recorded $10,800 and $11,028, respectively, in miscellaneous reimbursement revenue from Feeding Washington for staff salaries, supplies, and other expenses.

### Note 17 – Liquidity and Availability of Financial Assets

**Availability and liquidity** – The following represents Second Harvest Inland Northwest's financial assets at June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Financial assets at year-end | | |
| Cash and cash equivalents | $ 7,920,706 | $ 1,917,870 |
| Certificates of deposit | 112,698 | 307,417 |
| Investments | 28,556 | 27,178 |
| Beneficial interest in trust | 93,510 | 97,928 |
| Due from government agencies | 1,003,765 | 265,741 |
| Pledges receivable, net | 597,505 | 897,521 |
| Receivable from related party | 7,200 | 2,625 |
| Other accounts receivable, net of allowance for doubtful accounts | 530,722 | 79,095 |
| Total financial assets | 10,294,662 | 3,595,375 |
| Less amounts unavailable for general expenditures within one year | | |
| Net assets with donor restrictions | 1,521,818 | 1,251,383 |
| Less net assets with donor restrictions to be met in less than a year | (1,016,676) | (616,695) |
| Total amounts unavailable to be used within one year | 505,142 | 634,688 |
| Financial assets available to meet general expenditures over the next 12 months | $ 9,789,520 | $ 2,960,687 |

Second Harvest Inland Northwest's goal is generally to maintain financial assets to meet or exceed 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

| | Year Ended June 30, 2020 | | | |
|---|---|---|---|---|
| | Program Services | | | |
| BREAKDOWN BY PROGRAM | Warehousing | Washington Produce | Nutrition Education | TEFAP |
| REVENUE, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | $ 8,908,515 | $ - | $ 134 | $ - |
| Special events | - | - | - | - |
| Investment income | - | - | - | - |
| Purchase program | 571,796 | - | - | - |
| United Way contributions | 102,372 | - | - | - |
| Nonfederated organizations | 2,555,683 | - | - | - |
| Government fees and grants | 2,084,104 | - | 235,337 | 707,919 |
| In-kind contributions | 67,570,737 | 43,339,666 | 21 | 6,006,694 |
| PPP federal grant | - | - | - | - |
| Miscellaneous | 160,159 | - | 33,175 | - |
| Total revenue, gains, and other support | 81,953,366 | 43,339,666 | 268,667 | 6,714,613 |
| EXPENSES | | | | |
| Support services | - | - | - | - |
| Program services | 72,949,303 | 43,339,666 | 508,653 | 6,088,849 |
| Total expenses | 72,949,303 | 43,339,666 | 508,653 | 6,088,849 |
| Change in net assets | $ 9,004,063 | $ - | $ (239,986) | $ 625,764 |

| Year Ended June 30, 2020 | | | | | |
|---|---|---|---|---|---|
| Program Services | | Support Services | | | |
| CSFP | Total Program Services | Management and General | Fundraising | Total Support Services | Total |
| $ - | $ 8,908,649 | $ - | $ - | $ - | $ 8,908,649 |
| - | - | - | 610,764 | 610,764 | 610,764 |
| - | - | 12,243 | - | 12,243 | 12,243 |
| - | 571,796 | - | - | - | 571,796 |
| - | 102,372 | - | - | - | 102,372 |
| - | 2,555,683 | - | - | - | 2,555,683 |
| 91,009 | 3,118,369 | - | - | - | 3,118,369 |
| 367,805 | 117,284,923 | 470 | 1,804 | 2,274 | 117,287,197 |
| - | - | 264,428 | - | 264,428 | 264,428 |
| - | 193,334 | 2,136 | - | 2,136 | 195,470 |
| 458,814 | 132,735,126 | 279,277 | 612,568 | 891,845 | 133,626,971 |
| - | - | 700,031 | 695,750 | 1,395,781 | 1,395,781 |
| 521,897 | 123,408,368 | - | - | - | 123,408,368 |
| 521,897 | 123,408,368 | 700,031 | 695,750 | 1,395,781 | 124,804,149 |
| $ (63,083) | $ 9,326,758 | $ (420,754) | $ (83,182) | $ (503,936) | $ 8,822,822 |

# Second Harvest Inland Northwest
## Statements of Activities Detail

| | Year Ended June 30, 2019 | | | |
|---|---|---|---|---|
| | Program Services | | | |
| BREAKDOWN BY PROGRAM | Warehousing | Washington Produce | Nutrition Education | TEFAP |
| REVENUE, GAINS, AND OTHER SUPPORT | | | | |
| 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 | 52,390,290 | 39,398,095 | 306,986 | 2,623,269 |
| EXPENSES | | | | |
| Support services | - | - | - | - |
| Program services | 49,321,484 | 39,398,095 | 503,592 | 2,353,325 |
| Total expenses | 49,321,484 | 39,398,095 | 503,592 | 2,353,325 |
| Change in net assets | $ 3,068,806 | $ - | $ (196,606) | $ 269,944 |



See report of independent auditors.

| 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 |
| 391,862 | 95,110,502 | 47,831 | 789,540 | 837,371 | 95,947,873 |
| - | - | 525,544 | 785,012 | 1,310,556 | 1,310,556 |
| 417,120 | 91,993,616 | - | - | - | 91,993,616 |
| 417,120 | 91,993,616 | 525,544 | 785,012 | 1,310,556 | 93,304,172 |
| $ (25,258) | $ 3,116,886 | $ (477,713) | $ 4,528 | $ (473,185) | $ 2,643,701 |

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

| Grantor/Pass-Through Grantor/Program Title | Additional Award Information | Federal CFDA Number | Grantor's Number | Passed Through to Subrecipients | Total Expenditures |
|---|---|---|---|---|---|
| | Year Ended June 30, 2020 | | | | |
| Washington State Department of Agriculture | | | | | |
| Emergency Food Assistance Program | | N/A | K2737 | $ 35,301 | $ 392,238 |
| Emergency Food Assistance Program | | N/A | K2737 | - | 115,290 |
| Emergency Food Box Program | | N/A | K3040 | - | 1,164,399 |
| Total Nonfederal Expenditures | | | | $ 35,301 | $ 1,671,927 |

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

Year Ended June 30, 2020

| Grantor/Pass-Through Grantor/Program Title | Additional Award Information | Federal CFDA 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 | $ 304,980 | $ 311,783 |
| Food Commodities | | 10.569 | K2776 | 1,187,150 | 1,451,935 |
| The Emergency Food Assistance Program | | 10.568 | K2776 | 5,909 | 119,901 |
| The Emergency Food Assistance Program | | 10.568 | K2776 | 13,463 | 229,526 |
| The Emergency Food Assistance Program - COVID - 19 FFCRA | COVID-19 | 10.568 | K2776 | - | 3,575 |
| The Emergency Food Assistance Program - COVID - 19 CARES | COVID-19 | 10.568 | K2776 | 3,028 | 81,978 |
| Total of The Emergency Food Assistance Program (TEFAP ) | | | | 1,514,530 | 2,198,698 |
| Commodity Supplemental Food Program (CSFP)- | | | | | |
| Food Commodities | | 10.565 | K2776 | 73,826 | 73,826 |
| Food Commodities | | 10.565 | K2776 | 274,913 | 274,913 |
| Commodity Supplemental Food Program | | 10.565 | K2776 | 1,883 | 23,898 |
| Commodity Supplemental Food Program | | 10.565 | K2776 | 4,136 | 67,111 |
| Total Commodity Supplemental Food Program (CSFP) | | | | 354,758 | 439,748 |
| Total Food Distribution Cluster | | | | 1,869,288 | 2,638,446 |
| Passed through from Washington State Department of Agriculture | | | | | |
| Trade Mitigation Program Eligible Recipient Agency Operational Funds | | | | | |
| Food Commodities - Trade Mitigation | | 10.178 | K2776 | 1,611,265 | 1,628,525 |
| Food Commodities - Trade Mitigation | | 10.178 | K2776 | 1,718,406 | 2,087,863 |
| Trade Mitigation Program Eligible Recipient Agency Operational Funds | | 10.178 | K2776 | - | 118,054 |
| Trade Mitigation Program Eligible Recipient Agency Operational Funds | | 10.178 | K2776 | - | 154,885 |
| Total Trade Mitigation Program Eligible Recipient Agency Operational Funds | | | | 3,329,671 | 3,989,327 |
| SNAP Cluster | | | | | |
| Passed through from Spokane Regional Health District | | | | | |
| Supplemental Nutrition Assistance Program Cluster | | | | | |
| Supplemental Nutrition Assistance Program | | 10.561 | 300-731-1106 | - | 17,589 |
| Supplemental Nutrition Assistance Program | | 10.561 | 300-731-1106 | - | 52,934 |
| Passed through from Washington State Department of Health | | | | | |
| Supplemental Nutrition Assistance Program - Education | | 10.561 | CBO22831 | - | 11,704 |
| Supplemental Nutrition Assistance Program - Education | | 10.561 | CBO22831 | - | 42,741 |
| Passed through from People for People | | | | | |
| Basic Food Outreach Program | | 10.561 | 2HINW-1713-15508 | - | 31,249 |
| Basic Food Outreach Program | | 10.561 | 2HINW-1713-15508 | - | 79,119 |
| Total SNAP Cluster | | | | - | 235,336 |
| Total U.S. Department of Agriculture | | | | 5,198,959 | 6,863,109 |
| U.S. Department of Housing and Urban Development | | | | | |
| CDBG - Entitlement Grants Cluster | | | | | |
| Passed through from | | | | | |
| Spokane County - Community Development Block Grant Program | | 14.218 | B-19-UC-53-0004 | - | 35,632 |
| City of Spokane - Community Development Block Grant Program | | 14.218 | B-19-MC-53-0006 | - | 40,000 |
| Total CDBG - Entitlement Grants Cluster | | | | - | 75,632 |
| Total U.S. Department of Housing and Urban Development | | | | - | 75,632 |
| U.S. Department of Treasury | | | | | |
| Passed through from Spokane County | | | | | |
| Coronavirus Relief Fund | COVID-19 | 21.019 | N/A | - | 40,410 |
| Passed through from Washington State Department of Agriculture | | | | | |
| Emergency Food Assistance Program - CARES Stabilization | COVID-19 | 21.019 | K2737 | 12,662 | 130,598 |
| Emergency Food Assistance Program - CARES Targeted Capacity | COVID-19 | 21.019 | K2737 | 6,389 | 88,169 |
| Total U.S. Department of Treasury | | | | 19,051 | 259,177 |
| U.S. Department of Homeland Security | | | | | |
| Passed through from Federal Emergency Management Agency (FEMA) | | | | | |
| Emergency Food and Shelter National Board Program | | 97.024 | 36-8928-00-003 | - | 34,284 |
| Emergency Food and Shelter National Board Program | | 97.024 | 36-8862-00-018 | - | 34,012 |
| Emergency Food and Shelter National Board Program | | 97.024 | 36-8878-00-017 | - | 9,074 |
| Total U.S. Department of Homeland Security | | | | - | 77,370 |
| Total Federal Expenditures | | | | $ 5,218,010 | $ 7,275,288 |

### 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, 2020. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Second Harvest Inland Northwest's basic financial statements, and have issued our report thereon dated October 29, 2020.

**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) 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 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. 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 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 29, 2020

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## 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, 2020. 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 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 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, 2020.

**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 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 29, 2020

## 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:

| *CFDA Number(s)* | *Name of Federal Program or Cluster* | *Type of Auditor's Report Issued on Compliance for Major Federal Programs* |
|---|---|---|
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational 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, 2020.

## Section III – Federal Award Findings and Questioned Costs

No matters were reported for the year ended June 30, 2020.

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