



REPORTS OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

SECOND HARVEST INLAND NORTHWEST

June 30, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 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 27, 2021, 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 27, 2021

Second Harvest Inland Northwest Statements of Financial Position

ASSETS

	June 30,	
	2021	2020
Cash and cash equivalents	\$ 14,290,299	\$ 7,920,706
Certificates of deposit	112,974	112,698
Investments	27,741	28,556
Beneficial interest in trust	343,433	93,510
Due from government agencies	328,972	1,003,765
Pledges receivable, net	537,263	597,505
Receivable from related party	6,900	7,200
Other accounts receivable, net of allowance for doubtful accounts of \$500 for 2021 and 2020, respectively	10,829	530,722
Inventory, purchased, at lower of cost or net realizable value	2,905,525	289,924
Inventory, in-kind, at market	3,745,981	4,134,449
Inventory, in-kind, The Emergency Food Assistance Program (TEFAP)	797,316	999,736
Inventory, in-kind, Commodity Supplemental Food Program (CSFP)	87,618	63,019
Property and equipment, net	10,256,550	8,182,290
Other assets	119,591	114,325
	\$ 33,570,992	\$ 24,078,405

LIABILITIES AND NET ASSETS

Accounts payable	\$ 145,418	\$ 143,913
Accrued payroll taxes and benefits	72,683	49,971
Accrued vacation	146,032	130,333
Refundable advances	22,340	470,859
Notes payable	673,077	798,399
	1,059,550	1,593,475

NET ASSETS

Without donor restrictions		
Available for general activities	28,187,151	18,321,058
Designated by the governing board for		
Operating reserve	1,700,000	1,700,000
Information technology reserve	128,040	128,040
Facilities reserve	546,960	546,960
Fleet reserve	267,054	267,054
	30,829,205	20,963,112
With donor restrictions		
Time or purpose	1,384,503	1,440,384
Perpetuity	297,734	81,434
	1,682,237	1,521,818
	32,511,442	22,484,930
	\$ 33,570,992	\$ 24,078,405

Second Harvest Inland Northwest Statements of Activities

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 7,432,793	\$ 1,176,007	\$ 8,608,800
Special events	411,765	-	411,765
Investment return, net	43,754	-	43,754
Purchase program	226,336	-	226,336
United Way contributions	73,143	-	73,143
Nonfederal organizations	4,419,408	-	4,419,408
Government fees and grants	12,686,950	-	12,686,950
In-kind contributions, food commodities, and services	139,939,900	-	139,939,900
PPP federal loan	438,472	-	438,472
Miscellaneous	203,013	-	203,013
Net assets released from restrictions	1,015,588	(1,015,588)	-
Total revenue, gains, and other support	166,891,122	160,419	167,051,541
Expenses			
Program services			
Warehousing	81,148,289	-	81,148,289
Washington produce	66,337,584	-	66,337,584
Nutrition education	371,111	-	371,111
TEFAP	6,981,735	-	6,981,735
CSFP	494,510	-	494,510
Support services			
Management and general	874,685	-	874,685
Fundraising	817,115	-	817,115
Total expenses	157,025,029	-	157,025,029
Change in net assets	9,866,093	160,419	10,026,512
NET ASSETS, beginning of year	20,963,112	1,521,818	22,484,930
NET ASSETS, end of year	\$ 30,829,205	\$ 1,682,237	\$ 32,511,442

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 loan	264,428	-	264,428
Miscellaneous	195,470	-	195,470
Net assets released from restrictions	589,218	(589,218)	-
	<u>133,356,536</u>	<u>270,435</u>	<u>133,626,971</u>
Total revenue, gains, and other support			
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
	<u>124,804,149</u>	<u>-</u>	<u>124,804,149</u>
Total expenses			
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	<u>\$ 20,963,112</u>	<u>\$ 1,521,818</u>	<u>\$ 22,484,930</u>

Second Harvest Inland Northwest Statements of Functional Expenses

	Year Ended June 30, 2021			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 2,462,355	\$ -	\$ 277,530	\$ 394,378
Employee health and retirement benefits	470,549	-	59,809	63,210
Payroll taxes	252,402	-	28,380	42,080
Total salaries and related benefits	3,185,306	-	365,719	499,668
Professional fees	10,538	-	-	-
Contracted services	39,992	-	-	-
Supplies	215,939	-	-	6,004
Value added purchases	2,123,175	-	-	-
Telephone	31,763	-	-	4,980
Postage	16,548	-	-	-
Occupancy	566,293	-	-	20,623
Insurance	60,661	-	-	8,609
Equipment rent and maintenance	470,614	-	-	37,258
Printing, publications, and advertising	3,552	-	5,392	-
Travel and mileage	6,432	-	-	-
Motor freight and fleet gas	210,306	-	-	14,538
Conferences, conventions, and training	75	-	-	-
Assistance to individuals	73,578,886	66,337,584	-	6,363,393
Miscellaneous	8,190	-	-	-
Dues and fees	978	-	-	-
Agency reimbursements	69,160	-	-	26,662
Interest	-	-	-	-
Total expenses before depreciation	80,598,408	66,337,584	371,111	6,981,735
Depreciation	549,881	-	-	-
Total expenses	\$ 81,148,289	\$ 66,337,584	\$ 371,111	\$ 6,981,735

Second Harvest Inland Northwest Statements of Functional Expenses

Year Ended June 30, 2021					
Program Services		Support Services			Total Expenses
CSFP	Total	Management and General	Fundraising	Total	
\$ 112,470	\$ 3,246,733	\$ 289,921	\$ 478,376	\$ 768,297	\$ 4,015,030
28,280	621,848	61,631	83,708	145,339	767,187
14,759	337,621	15,703	43,388	59,091	396,712
155,509	4,206,202	367,255	605,472	972,727	5,178,929
-	10,538	82,366	61,754	144,120	154,658
-	39,992	-	-	-	39,992
1,890	223,833	10,851	5,437	16,288	240,121
-	2,123,175	-	-	-	2,123,175
1,712	38,455	15,142	-	15,142	53,597
-	16,548	1,210	69,778	70,988	87,536
2,160	589,076	10,468	-	10,468	599,544
572	69,842	12,015	-	12,015	81,857
6,778	514,650	59,309	27,228	86,537	601,187
-	8,944	6,029	39,835	45,864	54,808
-	6,432	177	-	177	6,609
799	225,643	-	-	-	225,643
-	75	64,847	-	64,847	64,922
325,090	146,604,953	-	-	-	146,604,953
-	8,190	32,003	3,833	35,836	44,026
-	978	133,731	3,778	137,509	138,487
-	95,822	-	-	-	95,822
-	-	44,183	-	44,183	44,183
494,510	154,783,348	839,586	817,115	1,656,701	156,440,049
-	549,881	35,099	-	35,099	584,980
<u>\$ 494,510</u>	<u>\$ 155,333,229</u>	<u>\$ 874,685</u>	<u>\$ 817,115</u>	<u>\$ 1,691,800</u>	<u>\$ 157,025,029</u>

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	49,949	-	-	-
Contracted services	310,884	-	-	-
Supplies	1,497,319	-	7,716	12,362
Value added purchases	36,983	-	-	-
Telephone	14,703	-	-	6,149
Postage	210,014	-	-	-
Occupancy	51,585	-	-	20,980
Insurance	267,222	-	-	8,791
Equipment rent and maintenance	-	-	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

Second Harvest Inland Northwest Statements of Functional Expenses

Year Ended June 30, 2020						
Program Services			Support Services			Total Expenses
CSFP	Total	Management and General	Fundraising	Total		
\$ 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	
-	49,949	66,067	79,541	145,608	195,557	
-	310,884	-	-	-	310,884	
3,493	1,520,890	7,829	14,201	22,030	1,542,920	
-	36,983	-	-	-	36,983	
2,000	22,852	7,600	458	8,058	30,910	
-	210,014	1,460	79,105	80,565	290,579	
3,325	75,890	12,986	10,850	23,836	99,726	
610	276,623	3,893	-	3,893	280,516	
8,020	43,119	44,728	38,234	82,962	126,081	
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	
<u>\$ 521,897</u>	<u>\$ 123,408,368</u>	<u>\$ 700,031</u>	<u>\$ 695,750</u>	<u>\$ 1,395,781</u>	<u>\$ 124,804,149</u>	

Second Harvest Inland Northwest Statements of Cash Flows

	Years Ended June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,026,512	\$ 8,822,822
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of property and equipment	-	4,342
Depreciation	584,980	506,498
Realized (gain) loss on marketable securities	(42,676)	12,243
In-kind contributions, food and services	(139,939,900)	(117,287,197)
In-kind distributions, food and services	140,506,189	114,737,530
Provision for doubtful accounts	-	6,909
Change in assets and liabilities		
Beneficial interest in trust	(206,708)	4,418
Receivables	1,255,228	(901,119)
Inventory, purchased, excluding in-kind donations	(2,615,601)	94,674
Other assets	(5,266)	(5,134)
Accounts payable	1,505	56,223
Accrued expenses and refundable advances	(410,108)	526,610
Net cash from operating activities	<u>9,154,155</u>	<u>6,578,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(2,659,240)	(728,670)
Purchase (sale) of investments	-	181,098
Net cash used by investing activities	<u>(2,659,240)</u>	<u>(547,572)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of notes payable	<u>(125,322)</u>	<u>(28,411)</u>
Net cash from financing activities	<u>(125,322)</u>	<u>(28,411)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,369,593	6,002,836
CASH AND CASH EQUIVALENTS, beginning of year	<u>7,920,706</u>	<u>1,917,870</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 14,290,299</u>	<u>\$ 7,920,706</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	<u>\$ 44,183</u>	<u>\$ 49,059</u>

Second Harvest Inland Northwest Notes to Financial Statements

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 accounting principles generally accepted in the United States of America (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, 2021 or 2020.

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

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 \$1.70 and \$1.74 per pound during 2021 and 2020, 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

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, 2021 and 2020, a substantial number of unpaid volunteers have made significant contributions of 42,593 and 74,209 hours, respectively, to the operations of the Organization. The value of this contributed time, estimated to be \$425,925 and \$742,090, respectively, is not reflected in these statements since it does not meet the criteria recognition GAAP.

Advertising expenses – The Organization expenses advertising costs as incurred. During the years ended June 30, 2021 and 2020, promotional advertising expenses of \$6,963 and \$7,064, 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, 2021 and 2020, no assets had been written down.

Second Harvest Inland Northwest

Notes to Financial Statements

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, 2021 and 2020. No interest or penalties were accrued for the years ended June 30, 2021 and 2020. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the Washington charities division.

Recent accounting pronouncements – 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. The Organization delayed the implementation of the lease standard until fiscal year 2023. The Organization adopted ASU 2014-09, *Revenue from Contracts with Customers*, in the current year. The adoption of ASU 2014-09 did not result in a material change to the timing of when revenue is recognized.

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.

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 27, 2021, which is the date the financial statements were available to be issued.

Second Harvest Inland Northwest Notes to Financial Statements

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, 2021 and 2020.

The discounted balance of promises to give at June 30:

	2021	2020
Unconditional promises to give	\$ 559,172	\$ 614,619
Less unamortized discount	(21,909)	(17,114)
Unconditional promises to give	\$ 537,263	\$ 597,505

Promises to give at June 30, 2021, are expected be realized in the following periods:

Amounts due in	
Less than one year	\$ 120,334
One to five years	262,038
Thereafter	154,891
	\$ 537,263

Second Harvest Inland Northwest Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Projects in process	\$ 1,572,064	\$ 280,146
Land	777,569	476,629
Buildings	5,958,404	5,958,404
Building improvements	3,500,913	3,356,258
Vehicles	1,538,111	1,323,607
Office equipment	554,304	456,659
Warehouse and kitchen equipment	<u>2,670,811</u>	<u>2,246,990</u>
	16,572,176	14,098,693
Less accumulated depreciation	<u>6,315,626</u>	<u>5,916,403</u>
	<u><u>\$ 10,256,550</u></u>	<u><u>\$ 8,182,290</u></u>

Note 5 – Notes Payable

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

	<u>2021</u>	<u>2020</u>
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.	\$ 673,077	\$ 702,856
Note payable to Numerica Credit Union in monthly interest-only installments until April 15, 2021. Payments of principal and interest began on April 15, 2021. The note was due in full on March 15, 2030, however it was paid in full during fiscal year ending June 30, 2021.	<u>-</u>	<u>95,543</u>
	<u><u>\$ 673,077</u></u>	<u><u>\$ 798,399</u></u>

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

2022	\$ 31,641
2023	33,677
2024	35,843
2025	38,148
2026	40,602
Thereafter	<u>493,166</u>
	<u><u>\$ 673,077</u></u>

Second Harvest Inland Northwest Notes to Financial Statements

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, 2021 and 2020, were \$183,681 and \$181,012, 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, 2021 and 2020, were \$13,982 and \$12,509, 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.

Second Harvest Inland Northwest Notes to Financial Statements

Note 8 – Contingencies (continued)

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 Directors 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,	
	2021	2020
Contributions restricted in perpetuity	\$ 297,734	\$ 81,434
Beef Counts	5,276	20,674
Bite 2 Go	798,966	284,212
Dairy for Life	37,694	17,993
Promise to give (time restriction)	537,263	597,505
Estate gifts (time restriction)	5,304	520,000
	<u>\$ 1,682,237</u>	<u>\$ 1,521,818</u>

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

	June 30,	
	2021	2020
Beef Counts	\$ 20,674	\$ 21,839
Bite 2 Go	284,211	195,446
Dairy for Life	2,300	16,814
Promises to give	188,403	316,790
Estate gifts	520,000	38,329
	<u>\$ 1,015,588</u>	<u>\$ 589,218</u>

Second Harvest Inland Northwest Notes to Financial Statements

Note 11 – Endowment

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

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

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

All endowment net assets are classified as with donor restrictions.

Endowment funds with donor restrictions were \$297,734 and \$81,434 as of June 30, 2021 and 2020, respectively.

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, 2021		June 30, 2020	
	Cost	Market	Cost	Market
Government security - mutual fund	\$ 25,000	\$ 27,741	\$ 25,000	\$ 28,556

Second Harvest Inland Northwest Notes to Financial Statements

Note 12 – Investments (continued)

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

	<u>2021</u>	<u>2020</u>
Net investment return	\$ 43,754	\$ 12,243
	<u>\$ 43,754</u>	<u>\$ 12,243</u>

Note 13 – Fair Value of Financial Instruments

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

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

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

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

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Because no active market exists for certain financial instruments, their fair value estimates are based on judgments regarding current economic conditions and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. A change in assumptions could significantly affect the estimates. Accordingly, the estimates presented herein are not necessarily indicative of what the Organization could realize in future market exchange. There has been no change in methodology during the 2021 fiscal year.

Second Harvest Inland Northwest Notes to Financial Statements

Note 13 – 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, 2021	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Investments, mutual funds	\$ 27,741	\$ 27,741	\$ -
Certificates of deposit	112,974	-	112,974
Beneficial interest in trust	343,433	-	343,433
	June 30, 2020	Fair Value Measurement at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Investments, mutual funds	\$ 28,556	\$ 28,556	\$ -
Certificates of deposit	112,698	-	112,698
Beneficial interest in trust	93,510	-	93,510

Note 14 – PPP Loan

On April 23, 2020, Second Harvest Inland Northwest 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 CARES Act and thus the conditions of the PPP federal loan were substantially met for the expended portions through June 30, 2020. As such, \$264,428 has been recognized as revenue in the fiscal year ending June 30, 2020, and \$438,472 has been recorded in refundable advances as of June 30, 2020. During fiscal year ending June 30, 2021, the Organization incurred additional expenditures that met the loan forgiveness terms, and therefore recognized \$438,472 as revenue during fiscal year ending June 30, 2021. The full loan of \$702,900 was forgiven during fiscal year ending June 30, 2021.

Second Harvest Inland Northwest

Notes to Financial Statements

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, 2021 and 2020, the Organization paid \$40,000, respectively, to Feeding Washington in the form of membership dues. During the years ended June 30, 2021 and 2020, the Organization recorded \$2,700 and \$10,800, respectively, in miscellaneous reimbursement revenue from Feeding Washington for staff salaries, supplies, and other expenses.

Note 16 – Liquidity and Availability of Financial Assets

Availability and liquidity – The following represent Second Harvest Inland Northwest’s financial assets at June 30, 2021 and 2020:

	2021	2020
Financial assets at year-end		
Cash and cash equivalents	\$ 14,290,299	\$ 7,920,706
Certificates of deposit	112,974	112,698
Investments	27,741	28,556
Beneficial interest in trust	343,433	93,510
Due from government agencies	328,972	1,003,765
Pledges receivable, net	537,263	597,505
Receivable from related party	6,900	7,200
Other accounts receivable, net of allowance for doubtful accounts	10,829	530,722
Total financial assets	<u>15,658,411</u>	<u>10,294,662</u>
Less amounts unavailable for general expenditures within one year		
Net assets with donor restrictions	1,682,237	1,521,818
Less net assets with donor restrictions to be met in less than a year	<u>(967,574)</u>	<u>(1,016,676)</u>
Total amounts unavailable to be used within one year	<u>714,663</u>	<u>505,142</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 14,943,748</u>	<u>\$ 9,789,520</u>

Second Harvest Inland Northwest’s goal is generally to maintain financial assets to meet or exceed 90 days of operating expenses (approximately \$2.7 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

Supplementary Information

Second Harvest Inland Northwest Statements of Activities Detail

	Year Ended June 30, 2021			
	Program Services			
BREAKDOWN BY PROGRAM	Warehousing	Washington Produce	Nutrition Education	TEFAP
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions	\$ 8,608,800	\$ -	\$ -	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	226,336	-	-	-
United Way contributions	73,143	-	-	-
Nonfederated organizations	4,419,408	-	-	-
Government fees and grants	11,712,462	-	237,450	649,324
In-kind contributions	67,091,249	66,337,584	-	6,160,941
PPP federal loan	-	-	-	-
Miscellaneous	202,318	-	-	-
Total revenue, gains, and other support	<u>92,333,716</u>	<u>66,337,584</u>	<u>237,450</u>	<u>6,810,265</u>
EXPENSES				
Support services	-	-	-	-
Program services	<u>81,148,289</u>	<u>66,337,584</u>	<u>371,111</u>	<u>6,981,735</u>
Total expenses	<u>81,148,289</u>	<u>66,337,584</u>	<u>371,111</u>	<u>6,981,735</u>
Change in net assets	<u>\$ 11,185,427</u>	<u>\$ -</u>	<u>\$ (133,661)</u>	<u>\$ (171,470)</u>

Second Harvest Inland Northwest Statements of Activities Detail

Year Ended June 30, 2021					
Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 8,608,800	\$ -	\$ -	\$ -	\$ 8,608,800
-	-	-	411,765	411,765	411,765
-	-	43,754	-	43,754	43,754
-	226,336	-	-	-	226,336
-	73,143	-	-	-	73,143
-	4,419,408	-	-	-	4,419,408
87,714	12,686,950	-	-	-	12,686,950
349,689	139,939,463	360	77	437	139,939,900
-	-	438,472	-	438,472	438,472
-	202,318	695	-	695	203,013
<u>437,403</u>	<u>166,156,418</u>	<u>483,281</u>	<u>411,842</u>	<u>895,123</u>	<u>167,051,541</u>
-	-	874,685	817,115	1,691,800	1,691,800
<u>494,510</u>	<u>155,333,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,333,229</u>
<u>494,510</u>	<u>155,333,229</u>	<u>874,685</u>	<u>817,115</u>	<u>1,691,800</u>	<u>157,025,029</u>
<u>\$ (57,107)</u>	<u>\$ 10,823,189</u>	<u>\$ (391,404)</u>	<u>\$ (405,273)</u>	<u>\$ (796,677)</u>	<u>\$ 10,026,512</u>

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 loan	-	-	-	-
Miscellaneous	160,159	-	33,175	-
Total revenue, gains, and other support	<u>81,953,366</u>	<u>43,339,666</u>	<u>268,667</u>	<u>6,714,613</u>
EXPENSES				
Support services	-	-	-	-
Program services	<u>72,949,303</u>	<u>43,339,666</u>	<u>508,653</u>	<u>6,088,849</u>
Total expenses	<u>72,949,303</u>	<u>43,339,666</u>	<u>508,653</u>	<u>6,088,849</u>
Change in net assets	<u>\$ 9,004,063</u>	<u>\$ -</u>	<u>\$ (239,986)</u>	<u>\$ 625,764</u>

Second Harvest Inland Northwest Statements of Activities Detail

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
<u>458,814</u>	<u>132,735,126</u>	<u>279,277</u>	<u>612,568</u>	<u>891,845</u>	<u>133,626,971</u>
-	-	700,031	695,750	1,395,781	1,395,781
<u>521,897</u>	<u>123,408,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,408,368</u>
<u>521,897</u>	<u>123,408,368</u>	<u>700,031</u>	<u>695,750</u>	<u>1,395,781</u>	<u>124,804,149</u>
<u>\$ (63,083)</u>	<u>\$ 9,326,758</u>	<u>\$ (420,754)</u>	<u>\$ (83,182)</u>	<u>\$ (503,936)</u>	<u>\$ 8,822,822</u>

Second Harvest Inland Northwest Schedule of Expenditures of Nonfederal Awards

Grantor/Pass-Through Grantor/Program Title	Year Ended June 30, 2021			
	Additional Award Information	Grantor's Number	Passed Through to Subrecipients	Total Expenditures
Washington State Department of Agriculture				
Emergency Food Assistance Program		K2737	\$ 34,711	\$ 391,270
Emergency Food Box Program		K3040	-	2,086,102
			<u>\$ 34,711</u>	<u>\$ 2,477,372</u>
Total Nonfederal Expenditures				

Second Harvest Inland Northwest Schedule of Expenditures of Federal Awards

Grantor/Pass-Through Grantor/Program Title	Additional Award Information	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
U.S. Department of Agriculture					
Passed through from Washington State Department of Agriculture					
Food Distribution Cluster					
The Emergency Food Assistance Program (TEFAP)-					
Food Commodities		10.569	K2776	\$ 589,569	\$ 596,222
Food Commodities		10.569	K2776	3,119,198	3,294,816
The Emergency Food Assistance Program					
The Emergency Food Assistance Program - COVID - 19 FFCRA	COVID-19	10.568	K2776	5,715	143,047
The Emergency Food Assistance Program - COVID - 19 FFCRA	COVID-19	10.568	K2776	-	21,007
The Emergency Food Assistance Program - COVID - 19 CARES	COVID-19	10.568	K2776	1,918	53,588
The Emergency Food Assistance Program - COVID - 19 CARES	COVID-19	10.568	K2776	7,459	205,619
The Emergency Food Assistance Program - COVID - 19 CARES	COVID-19	10.568	K2776	11,571	140,887
Total of The Emergency Food Assistance Program (TEFAP)				<u>3,735,430</u>	<u>4,455,186</u>
Commodity Supplemental Food Program (CSFP)-					
Food Commodities		10.565	K2776	93,533	93,533
Food Commodities		10.565	K2776	230,148	230,148
Commodity Supplemental Food Program					
Commodity Supplemental Food Program		10.565	K2776	-	19,914
Commodity Supplemental Food Program		10.565	K2776	-	67,800
Total Commodity Supplemental Food Program (CSFP)				<u>323,681</u>	<u>411,395</u>
Total Food Distribution Cluster				<u>4,059,111</u>	<u>4,866,581</u>
Passed through from Washington State Department of Agriculture					
Trade Mitigation Program Eligible Recipient Agency Operational Funds					
Food Commodities - Trade Mitigation		10.178	K2776	2,331,411	2,537,036
Trade Mitigation Program Eligible Recipient Agency Operational Funds		10.178	K2776	-	73,290
Trade Mitigation Program Eligible Recipient Agency Operational Funds		10.178	K2776	-	11,886
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds				<u>2,331,411</u>	<u>2,622,212</u>
SNAP Cluster					
Passed through from Spokane Regional Health District					
Supplemental Nutrition Assistance Program Cluster					
Supplemental Nutrition Assistance Program		10.561	300-731-1106	-	15,743
Supplemental Nutrition Assistance Program		10.561	750-713-1106	-	54,463
Passed through from Washington State Department of Health					
Supplemental Nutrition Assistance Program - Education		10.561	CBO22831	-	13,033
Supplemental Nutrition Assistance Program - Education		10.561	CBO22831	-	48,719
Passed through from People for People					
Basic Food Outreach Program		10.561	2HINW-1713-15508	-	26,373
Basic Food Outreach Program		10.561	2HINW-1713-15508	-	79,119
Total SNAP Cluster				<u>-</u>	<u>237,450</u>
Total U.S. Department of Agriculture				<u>6,390,522</u>	<u>7,726,243</u>
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-20-UC-53-0004	-	35,632
City of Spokane - Community Development Block Grant Program		14.218	B-20-MC-53-0006	-	40,000
Total CDBG - Entitlement Grants Cluster				<u>-</u>	<u>75,632</u>
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>75,632</u>
U.S. Department of Treasury					
Passed through from Spokane County					
Coronavirus Relief Fund	COVID-19	21.019	N/A	-	8,548,981
Passed through from Washington State Department of Agriculture					
Emergency Food Assistance Program - CARES Stabilization	COVID-19	21.019	K2737	-	222,830
Emergency Food Assistance Program - CARES Stabilization	COVID-19	21.019	K2737	-	130,598
WSDA National Guard Backfill Grant Project	COVID-19	21.019	K3354	-	70,354
Total Coronavirus Relief Fund (CRF)				<u>-</u>	<u>8,972,763</u>
CFAP Alternative - Mobile Market					
	COVID-19	21.027	K3461	-	48,000
Total U.S. Department of Treasury				<u>-</u>	<u>9,020,763</u>
U.S. Department of Homeland Security					
Passed through from Federal Emergency Management Agency (FEMA)					
Emergency Food and Shelter National Board Program		97.024	37-8928-00-003	-	10,000
Emergency Food and Shelter National Board Program	COVID-19	97.024	CARES-8928-00-003	-	60,000
Emergency Food and Shelter National Board Program		97.024	37-8862-00-018	-	25,696
Emergency Food and Shelter National Board Program		97.024	38-8862-00-018	-	10,000
Emergency Food and Shelter National Board Program	COVID-19	97.024	CARES-8862-00-018	-	25,000
Emergency Food and Shelter National Board Program	COVID-19	97.024	CARES-8878-00-017	-	8,000
Total U.S. Department of Homeland Security				<u>-</u>	<u>138,696</u>
Total Federal Expenditures				<u>\$ 6,390,522</u>	<u>\$ 16,961,334</u>

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

Second Harvest Inland Northwest

Notes to the Schedule of Expenditures of Federal Awards

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, 2021. 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, 2021, 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 27, 2021.

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 27, 2021

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, 2021. 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, 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, 2021.

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 27, 2021

**Second Harvest Inland Northwest
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

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>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
21.019	Coronavirus Relief Fund	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, 2021.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for the year ended June 30, 2021.

