



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

SECOND HARVEST INLAND NORTHWEST

June 30, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
Second Harvest Inland Northwest

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Second Harvest Inland Northwest, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Second Harvest Inland Northwest as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, statements of activities details, and the schedule of expenditures of non-federal awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, statements of activities details, and the schedule of expenditures of non-federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, 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 28, 2022

Second Harvest Inland Northwest Statements of Financial Position

ASSETS

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 13,195,846	\$ 14,290,299
Certificates of deposit	114,275	112,974
Investments	24,913	27,741
Beneficial interest in trust	283,637	343,433
Due from government agencies	229,076	328,972
Pledges receivable, net	830,710	537,263
Receivable from related party	4,725	6,900
Other accounts receivable, net of allowance for doubtful accounts of \$500 for 2022 and 2021	240,993	10,829
Inventory, purchased, at lower of cost or net realizable value	526,069	2,905,525
Inventory, in-kind, at market	1,763,472	3,745,981
Inventory, in-kind, The Emergency Food Assistance Program (TEFAP)	986,668	797,316
Inventory, in-kind, Commodity Supplemental Food Program (CSFP)	34,387	87,618
Property and equipment, net	11,470,697	10,256,550
Other assets	124,163	119,591
	\$ 29,829,631	\$ 33,570,992

LIABILITIES AND NET ASSETS

Accounts payable	\$ 286,038	\$ 145,418
Accrued payroll taxes and benefits	68,209	72,683
Accrued vacation	133,040	146,032
Refundable advances	25,175	22,340
Notes payable	641,444	673,077
	1,153,906	1,059,550

NET ASSETS

Without donor restrictions		
Available for general activities	23,900,448	28,187,151
Designated by the governing board for		
Operating reserve	1,700,000	1,700,000
Information technology reserve	128,040	128,040
Facilities reserve	546,960	546,960
Fleet reserve	267,054	267,054
	26,542,502	30,829,205
With donor restrictions		
Time or purpose	1,835,489	1,384,503
Perpetuity	297,734	297,734
	2,133,223	1,682,237
Total with donor restrictions	2,133,223	1,682,237
Total net assets	28,675,725	32,511,442
Total liabilities and net assets	\$ 29,829,631	\$ 33,570,992

See accompanying notes.

Second Harvest Inland Northwest Statements of Activities

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributed financial assets	\$ 5,406,708	\$ 1,499,247	\$ 6,905,955
Special events	423,378	-	423,378
Investment return, net	(38,034)	-	(38,034)
Purchase program	246,502	-	246,502
United Way contributions	57,981	-	57,981
Nonfederal organizations	781,952	-	781,952
Government fees and grants	3,258,739	-	3,258,739
Contributed nonfinancial assets	98,602,096	-	98,602,096
Miscellaneous	262,992	-	262,992
Net assets released from restrictions	1,048,261	(1,048,261)	-
Total revenue, gains, and other support	<u>110,050,575</u>	<u>450,986</u>	<u>110,501,561</u>
Expenses			
Program services			
Warehousing	55,258,435	-	55,258,435
Washington produce	50,727,770	-	50,727,770
Nutrition education	506,536	-	506,536
TEFAP	5,477,841	-	5,477,841
CSFP	425,138	-	425,138
Support services			
Management and general	1,016,613	-	1,016,613
Fundraising	924,945	-	924,945
Total expenses	<u>114,337,278</u>	<u>-</u>	<u>114,337,278</u>
Change in net assets	(4,286,703)	450,986	(3,835,717)
NET ASSETS, beginning of year	<u>30,829,205</u>	<u>1,682,237</u>	<u>32,511,442</u>
NET ASSETS, end of year	<u>\$ 26,542,502</u>	<u>\$ 2,133,223</u>	<u>\$ 28,675,725</u>

Second Harvest Inland Northwest Statements of Activities

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contributed financial assets	\$ 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
Contributed nonfinancial assets	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 Functional Expenses

	Year Ended June 30, 2022			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
Salaries	\$ 2,651,784	\$ -	\$ 378,389	\$ 250,001
Employee health and retirement benefits	573,658	-	82,275	58,712
Payroll taxes	272,677	-	39,998	28,071
Total salaries and related benefits	3,498,119	-	500,662	336,784
Professional fees	5,126	-	-	-
Contracted services	47,078	-	-	-
Supplies	179,876	-	1,495	2,930
Value added purchases	1,371,330	-	-	-
Telephone	42,430	-	-	4,321
Postage	11,698	-	-	-
Occupancy	345,037	-	174	19,310
Insurance	68,950	-	-	9,156
Equipment rent and maintenance	391,177	-	72	32,056
Printing, publications, and advertising	1,936	-	4,003	-
Travel and mileage	13,314	-	-	-
Motor freight and fleet gas	277,128	-	-	23,516
Conferences, conventions, and training	500	-	-	-
Assistance to individuals	48,109,384	50,727,770	-	5,028,945
Miscellaneous	1,640	-	-	-
Dues and fees	2,197	-	130	-
Agency reimbursements	201,120	-	-	20,823
Interest	-	-	-	-
Total expenses before depreciation	54,568,040	50,727,770	506,536	5,477,841
Depreciation	690,395	-	-	-
Total expenses	\$ 55,258,435	\$ 50,727,770	\$ 506,536	\$ 5,477,841

Second Harvest Inland Northwest Statements of Functional Expenses

Year Ended June 30, 2022						
Program Services		Support Services			Total Expenses	
CSFP	Total	Management and General	Fundraising	Total		
\$ 86,641	\$ 3,366,815	\$ 347,595	\$ 513,956	\$ 861,551	\$ 4,228,366	
22,955	737,600	69,746	95,354	165,100	902,700	
10,953	351,699	20,576	44,956	65,532	417,231	
120,549	4,456,114	437,917	654,266	1,092,183	5,548,297	
-	5,126	102,763	68,775	171,538	176,664	
-	47,078	-	-	-	47,078	
1,218	185,519	6,444	16,640	23,084	208,603	
-	1,371,330	-	-	-	1,371,330	
1,752	48,503	13,025	-	13,025	61,528	
-	11,698	729	79,018	79,747	91,445	
2,314	366,835	20,664	4,113	24,777	391,612	
788	78,894	5,032	-	5,032	83,926	
8,325	431,630	87,274	32,411	119,685	551,315	
751	6,690	8,197	66,706	74,903	81,593	
-	13,314	-	-	-	13,314	
1,556	302,200	-	-	-	302,200	
-	500	39,911	1,876	41,787	42,287	
287,563	104,153,662	-	-	-	104,153,662	
-	1,640	18,129	93	18,222	19,862	
-	2,327	189,173	1,047	190,220	192,547	
322	222,265	-	-	-	222,265	
-	-	41,180	-	41,180	41,180	
425,138	111,705,325	970,438	924,945	1,895,383	113,600,708	
-	690,395	46,175	-	46,175	736,570	
<u>\$ 425,138</u>	<u>\$ 112,395,720</u>	<u>\$ 1,016,613</u>	<u>\$ 924,945</u>	<u>\$ 1,941,558</u>	<u>\$ 114,337,278</u>	

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	Total Expenses	
\$ 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 Cash Flows

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,835,717)	\$ 10,026,512
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of property and equipment	3,299	-
Depreciation	736,570	584,980
Realized (gain) loss on marketable securities	1,527	(42,676)
In-kind contributions, food and services	(98,602,096)	(139,939,900)
In-kind distributions, food and services	100,448,484	140,506,189
Change in assets and liabilities		
Beneficial interest in trust	59,796	(206,708)
Receivables	(421,540)	1,255,228
Inventory, purchased, excluding in-kind donations	2,379,456	(2,615,601)
Other assets	(4,572)	(5,266)
Accounts payable	140,620	1,505
Accrued expenses and refundable advances	(14,631)	(410,108)
Net cash from operating activities	<u>891,196</u>	<u>9,154,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(1,954,016)</u>	<u>(2,659,240)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of notes payable	<u>(31,633)</u>	<u>(125,322)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,094,453)	6,369,593
CASH AND CASH EQUIVALENTS, beginning of year	<u>14,290,299</u>	<u>7,920,706</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,195,846</u>	<u>\$ 14,290,299</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash paid during the year for interest	<u>\$ 41,180</u>	<u>\$ 44,183</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 generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the provision for depreciation, the allocation of expenses by function, net realizable value of inventory, the allowance for doubtful accounts, and the amortized discount on unconditional promises to give.

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

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

Accounts and pledges receivable – The Organization extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by actively pursuing past due accounts. Accounts receivable are generally due on the last day of the month after delivery of product to the customer. An allowance on accounts receivable is estimated based on an aging of accounts and management's evaluation of the current status of accounts. Accounts receivable are written off when they are determined to be uncollectible. There were no accounts receivable outstanding more than 90 days at June 30, 2022 or 2021.

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.

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.

Second Harvest Inland Northwest Notes to Financial Statements

Note 1 – Significant Accounting Policies (continued)

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.

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

Contributed nonfinancial assets – For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statement of activities include:

	June 30,	
	2022	2021
Food commodities	\$ 98,596,290	\$ 139,900,802
Vehicle	-	37,536
Services	5,806	1,562
	<u>\$ 98,602,096</u>	<u>\$ 139,939,900</u>

Second Harvest Inland Northwest Notes to Financial Statements

Note 1 – Significant Accounting Policies (continued)

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

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 \$1.53 and \$1.70 per pound during 2022 and 2021, respectively. Feeding America is a nationwide network of 200 food banks. The market values for the fiscal years ended June 30, 2022 and 2021, have been calculated by an independent accountant under agreed-upon-procedures. The valuations were established as of December 31, 2021 and 2020.

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

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

For the years ended June 30, 2022 and 2021, a substantial number of unpaid volunteers have made significant contributions of approximately 43,626 and 42,593 hours, respectively, to the operations of the Organization. The value of this contributed time, estimated to be \$728,110 and \$710,877, 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, 2022 and 2021, promotional advertising expenses of \$8,213 and \$6,963, 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.

Second Harvest Inland Northwest

Notes to Financial Statements

Note 1 – Significant Accounting Policies (continued)

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, 2022 and 2021, no assets had been written down.

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

The Organization had no unrecognized tax benefits at June 30, 2022 and 2021. No interest or penalties were accrued for the years ended June 30, 2022 and 2021. 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 prior 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. The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, in the current year.

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

Second Harvest Inland Northwest Notes to Financial Statements

Note 1 – Significant Accounting Policies (continued)

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

The Organization has evaluated subsequent events through October 28, 2022, which is the date the financial statements were available to be issued.

Note 2 – Program Descriptions

Programs of the Organization include the following:

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

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

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

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

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

Second Harvest Inland Northwest

Notes to Financial Statements

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 5%. Management has determined the promises receivable to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2022 and 2021.

The discounted balance of promises to give at June 30:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give	\$ 869,088	\$ 559,172
Less unamortized discount	<u>(38,378)</u>	<u>(21,909)</u>
Unconditional promises to give	<u>\$ 830,710</u>	<u>\$ 537,263</u>

Promises to give at June 30, 2022, are expected be realized in the following periods:

Amounts due in	
Less than one year	\$ 330,834
One to five years	412,606
Thereafter	<u>87,270</u>
	<u>\$ 830,710</u>

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Projects in process	\$ 252,968	\$ 1,572,064
Land	777,569	777,569
Buildings	5,958,404	5,958,404
Building improvements	6,279,371	3,500,913
Vehicles	1,657,249	1,538,111
Office equipment	586,154	554,304
Warehouse and kitchen equipment	<u>2,800,604</u>	<u>2,670,811</u>
	18,312,319	16,572,176
Less accumulated depreciation	<u>6,841,622</u>	<u>6,315,626</u>
	<u>\$ 11,470,697</u>	<u>\$ 10,256,550</u>

Second Harvest Inland Northwest Notes to Financial Statements

Note 5 – Notes Payable

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

	<u>2022</u>	<u>2021</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.	<u>\$ 641,444</u>	<u>\$ 673,077</u>

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

2023	\$ 33,676
2024	35,842
2025	38,148
2026	40,601
2027	43,213
Thereafter	<u>449,964</u>
	<u>\$ 641,444</u>

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, 2022 and 2021, were \$220,126 and \$183,681, 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, 2022 and 2021, were \$11,827 and \$13,982, respectively.

Second Harvest Inland Northwest

Notes to Financial Statements

Note 8 – Contingencies

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

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

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

Note 9 – Concentration of Credit Risk

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

Note 10 – Net Assets with Donor Restrictions

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

	June 30,	
	2022	2021
Contributions restricted in perpetuity	\$ 297,734	\$ 297,734
Beef Counts	1,831	5,276
Bite 2 Go	780,954	798,966
Dairy for Life	3,053	37,694
Promise to give (time restriction)	830,710	537,263
Estate gifts (time restriction)	218,941	5,304
	<u>\$ 2,133,223</u>	<u>\$ 1,682,237</u>

Second Harvest Inland Northwest Notes to Financial Statements

Note 10 – Net Assets with Donor Restrictions (continued)

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

	June 30,	
	2022	2021
Beef Counts	\$ 5,276	\$ 20,674
Bite 2 Go	798,966	284,211
Dairy for Life	37,694	2,300
Promises to give	201,021	188,403
Estate gifts	5,304	520,000
	<u>\$ 1,048,261</u>	<u>\$ 1,015,588</u>

Note 11 – Endowment

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

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

In accordance with 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 \$297,734 as of June 30, 2022 and 2021.

Second Harvest Inland Northwest Notes to Financial Statements

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, 2022		June 30, 2021	
	Cost	Market	Cost	Market
Government security - mutual fund	\$ 25,000	\$ 24,913	\$ 25,000	\$ 27,741

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

	2022	2021
Net investment return	\$ (38,034)	\$ 43,754

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.

Second Harvest Inland Northwest Notes to Financial Statements

Note 13 – Fair Value of Financial Instruments (continued)

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 2022 fiscal year.

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

	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

Note 14 – PPP Federal Grant

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. During the fiscal years ending June 30, 2021 and 2020, the Organization incurred expenditures that met the loan forgiveness terms, and therefore recognized \$438,472 and \$264,428 as revenue during the fiscal years, respectively. The full loan of \$702,900 was forgiven during the 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, 2022 and 2021, the Organization paid \$95,600 and \$40,000, respectively, to Feeding Washington in the form of membership dues. During the years ended June 30, 2022 and 2021, the Organization recorded \$0 and \$2,700, 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 represents Second Harvest Inland Northwest’s financial assets at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 13,195,846	\$ 14,290,299
Certificates of deposit	114,275	112,974
Investments	24,913	27,741
Beneficial interest in trust	283,637	343,433
Due from government agencies	229,076	328,972
Pledges receivable, net	830,710	537,263
Receivable from related party	4,725	6,900
Other accounts receivable, net of allowance for doubtful accounts	<u>240,993</u>	<u>10,829</u>
Total financial assets	<u>14,924,175</u>	<u>15,658,411</u>
Less amounts unavailable for general expenditures within one year		
Net assets with donor restrictions	2,133,223	1,682,237
Less net assets with donor restrictions to be met in less than a year	<u>(1,335,613)</u>	<u>(967,574)</u>
Total amounts unavailable to be used within one year	<u>797,610</u>	<u>714,663</u>
Financial assets available to meet general expenditures over the next 12 months	<u><u>\$ 14,126,565</u></u>	<u><u>\$ 14,943,748</u></u>

Second Harvest Inland Northwest’s goal is generally to maintain financial assets to meet or exceed 90 days of operating expenses (approximately \$2.8 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, 2022			
	Program Services			
BREAKDOWN BY PROGRAM	Warehousing	Washington Produce	Nutrition Education	TEFAP
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions of financial assets	\$ 6,905,955	\$ -	\$ -	\$ -
Special events	-	-	-	-
Investment income	-	-	-	-
Purchase program	246,502	-	-	-
United Way contributions	57,981	-	-	-
Nonfederated organizations	781,952	-	-	-
Government fees and grants	2,426,196	-	254,972	474,577
Contributions of nonfinancial assets	42,415,954	50,727,770	10	5,218,298
Miscellaneous	251,156	-	11,836	-
Total revenue, gains, and other support	<u>53,085,696</u>	<u>50,727,770</u>	<u>266,818</u>	<u>5,692,875</u>
EXPENSES				
Support services	-	-	-	-
Program services	<u>55,258,435</u>	<u>50,727,770</u>	<u>506,536</u>	<u>5,477,841</u>
Total expenses	<u>55,258,435</u>	<u>50,727,770</u>	<u>506,536</u>	<u>5,477,841</u>
Change in net assets	<u>\$ (2,172,739)</u>	<u>\$ -</u>	<u>\$ (239,718)</u>	<u>\$ 215,034</u>

Second Harvest Inland Northwest Statements of Activities Detail

Year Ended June 30, 2022					
Program Services		Support Services			
CSFP	Total Program Services	Management and General	Fundraising	Total Support Services	Total
\$ -	\$ 6,905,955	\$ -	\$ -	\$ -	\$ 6,905,955
-	-	-	423,378	423,378	423,378
-	-	(38,034)	-	(38,034)	(38,034)
-	246,502	-	-	-	246,502
-	57,981	-	-	-	57,981
-	781,952	-	-	-	781,952
102,994	3,258,739	-	-	-	3,258,739
234,332	98,596,364	5,673	59	5,732	98,602,096
-	262,992	-	-	-	262,992
<u>337,326</u>	<u>110,110,485</u>	<u>(32,361)</u>	<u>423,437</u>	<u>391,076</u>	<u>110,501,561</u>
-	-	1,016,613	924,945	1,941,558	1,941,558
425,138	112,395,720	-	-	-	112,395,720
<u>425,138</u>	<u>112,395,720</u>	<u>1,016,613</u>	<u>924,945</u>	<u>1,941,558</u>	<u>114,337,278</u>
<u>\$ (87,812)</u>	<u>\$ (2,285,235)</u>	<u>\$ (1,048,974)</u>	<u>\$ (501,508)</u>	<u>\$ (1,550,482)</u>	<u>\$ (3,835,717)</u>

Second Harvest Inland Northwest Statements of Activities Detail

BREAKDOWN BY PROGRAM	Year Ended June 30, 2021			
	Program Services			
	Warehousing	Washington Produce	Nutrition Education	TEFAP
REVENUE, GAINS, AND OTHER SUPPORT				
Contributions of financial assets	\$ 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
Contributions of nonfinancial assets	67,091,249	66,337,584	-	6,160,941
PPP federal loan	-	-	-	-
Miscellaneous	202,318	-	-	-
Total revenue, gains, and other support	92,333,716	66,337,584	237,450	6,810,265
EXPENSES				
Support services	-	-	-	-
Program services	81,148,289	66,337,584	371,111	6,981,735
Total expenses	81,148,289	66,337,584	371,111	6,981,735
Change in net assets	\$ 11,185,427	\$ -	\$ (133,661)	\$ (171,470)

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
494,510	155,333,229	-	-	-	155,333,229
<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 Schedule of Expenditures of Nonfederal Awards

Grantor/Pass-Through Grantor/Program Title	Year Ended June 30, 2022			
	Additional Award Information	Grantor's Number	Passed Through to Subrecipients	Total Expenditures
Washington State Department of Agriculture Emergency Food Assistance Program		K3494	\$ 199,060	\$ 395,372
Total Nonfederal Expenditures			\$ 199,060	\$ 395,372

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	\$ 1,107,666	\$ 1,162,822
Food Commodities		10.569	K2776	3,501,188	3,858,111
The Emergency Food Assistance Program		10.568	K2776	3,851	160,311
The Emergency Food Assistance Program - COVID - 19 FFCRA	COVID-19	10.568	K2776	1,776	37,698
The Emergency Food Assistance Program		10.568	K2776	5,501	84,474
The Emergency Food Assistance Program - BBB	COVID-19	10.568	K2776	9,695	192,093
Total of The Emergency Food Assistance Program (TEFAP)				<u>4,629,677</u>	<u>5,495,509</u>
Commodity Supplemental Food Program (CSFP)-					
Food Commodities		10.565	K2776	76,766	76,766
Food Commodities		10.565	K2776	208,257	208,257
Commodity Supplemental Food Program		10.565	K2776	-	22,649
Commodity Supplemental Food Program		10.565	K2776	322	80,345
Total Commodity Supplemental Food Program (CSFP)				<u>285,345</u>	<u>388,017</u>
Total Food Distribution Cluster				<u>4,915,022</u>	<u>5,883,526</u>
Passed through from Washington State Department of Agriculture					
Trade Mitigation Program Eligible Recipient Agency Operational Funds					
Food Commodities - Trade Mitigation		10.178	K2776	20	20
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds				<u>20</u>	<u>20</u>
SNAP Cluster					
Passed through from Spokane Regional Health District					
Supplemental Nutrition Assistance Program Cluster					
Supplemental Nutrition Assistance Program		10.561	750-713-1106	-	12,671
Supplemental Nutrition Assistance Program		10.561	750-713-1106	-	78,474
Passed through from Washington State Department of Health					
Supplemental Nutrition Assistance Program - Education		10.561	CBO26542	-	58,335
Passed through from People for People					
Basic Food Outreach Program		10.561	2HINW-1913-65540	-	26,373
Basic Food Outreach Program		10.561	2HINW-1913-65540	-	79,119
Total SNAP Cluster				<u>-</u>	<u>254,972</u>
Total U.S. Department of Agriculture				<u>4,915,042</u>	<u>6,138,518</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-21-UC-53-0004	-	29,047
City of Spokane - Community Development Block Grant Program		14.218	OPR 2019-0742	-	40,000
Total CDBG - Entitlement Grants Cluster				<u>-</u>	<u>69,047</u>
Resource Center of Spokane County - Community Development Block Grant Program		14.228	various	-	187,402
Worksource Columbia Basin - Community Development Block Grant Program		14.228	various	-	50,700
Total State-Administered CDBG				<u>-</u>	<u>238,102</u>
Total U.S. Department of Housing and Urban Development				<u>-</u>	<u>307,149</u>
U.S. Department of Treasury					
Passed through from Spokane County					
Coronavirus Relief Fund	COVID-19	21.019	unknown	-	163,301
Total Coronavirus Relief Fund (CRF)				<u>-</u>	<u>163,301</u>
Passed through from Washington State Department of Agriculture					
CFAP Alternative - Mobile Market	COVID-19	21.027	K3461	-	212,000
We Feed Washington	COVID-19	21.027	K3640	-	422,000
Emergency Food Assistance Program	COVID-19	21.027	K3494	-	268,163
Total Coronavirus State and Local Fiscal Recovery Funds (CSLFR)				<u>-</u>	<u>902,163</u>
Total U.S. Department of Treasury				<u>-</u>	<u>1,065,464</u>
U.S. Department of Homeland Security					
Passed through from Federal Emergency Management Agency (FEMA)					
Emergency Food and Shelter National Board Program	COVID-19	97.024	CARES-8948-00-004	-	600,000
Emergency Food and Shelter National Board Program		97.024	38-892800-003	-	34,711
Emergency Food and Shelter National Board Program	COVID-19	97.024	ARPAR-886200-018	-	16,750
Emergency Food and Shelter National Board Program	COVID-19	97.024	ARPAR-887200-017	-	6,750
Total U.S. Department of Homeland Security				<u>-</u>	<u>658,211</u>
Total Federal Expenditures				<u>\$ 4,915,042</u>	<u>\$ 8,169,342</u>

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, 2022. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, statements of activities, change in net assets, or cash flows of the Organization.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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

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

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

Statement of Activities

Government fees and grants	\$ 2,863,367
Contributed nonfinancial assets	<u>5,305,975</u>
Total Expenditures of Federal Awards	<u>\$ 8,169,342</u>

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

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Second Harvest Inland Northwest

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Inland Northwest, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Spokane, Washington
October 28, 2022

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

The Board of Directors
Second Harvest Inland Northwest

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Second Harvest Inland Northwest's (Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Second Harvest Inland Northwest's major federal programs for the year ended June 30, 2022. Second Harvest Inland Northwest's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Harvest Inland Northwest complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Moss Adams LLP

Spokane, Washington
October 28, 2022

**Second Harvest Inland Northwest
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

<i>ALN Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
Various	Food Distribution Cluster	Unmodified
21.027	Coronavirus State and Local Fiscal Recovery 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, 2022.

Section III – Federal Award Findings and Questioned Costs

No matters were reported for the year ended June 30, 2022.

