



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 | | |
| \$ 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.

