

NORTHWEST HARVEST/E.M.M.

Financial Statements and Single Audit Reports

For the Year Ended June 30, 2023

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Independent Auditor's Report

To the Board of Directors
Northwest Harvest/E.M.M.
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Northwest Harvest/E.M.M. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 the Organization as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

2022 Financial Statements Restated

As discussed in Note 13 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.



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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 the 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 the Organization'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 the Organization'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 the Organization'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 that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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 February 14, 2024 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Clark Nuber PS

Certified Public Accountants
February 14, 2024

NORTHWEST HARVEST/E.M.M.**Statement of Financial Position
As of June 30, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 4,076,267	\$ 8,941,180
Contributions, grants, and other receivables, current portion	4,664,753	4,568,772
Inventory	7,160,283	2,463,624
Prepays expenses	685,329	390,637
Total Current Assets	16,586,632	16,364,213
Investments	33,489,988	39,721,039
Endowment investments	10,299,089	6,899,416
Contributions, grants, and other receivables, net of current portion	120,000	
Security deposits	84,916	232,381
Beneficial interests in trusts and funds held by others	1,140,463	1,117,773
Operating lease right-of-use assets	3,047,057	
Property and equipment, net	37,403,091	26,610,798
Total Assets	\$102,171,236	\$ 90,945,620
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 966,006	\$ 2,104,893
Accrued liabilities	827,361	613,937
Current portion of operating lease liabilities	741,064	
Total Current Liabilities	2,534,431	2,718,830
Refundable advances		740,488
Deferred rent liability		294,649
Deferred gain on sale of property		416,136
Long-term portion of operating lease liabilities	2,588,964	
Total Liabilities	5,123,395	4,170,103
Net Assets:		
Without donor restrictions	84,149,605	52,573,069
With donor restrictions	12,898,236	34,202,448
Total Net Assets	97,047,841	86,775,517
Total Liabilities and Net Assets	\$102,171,236	\$ 90,945,620

See accompanying notes.

NORTHWEST HARVEST/E.M.M.

**Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Without Donor Restriction	With Donor Restriction	2023 Total	2022 Total
Operating Activities				
Operating Public Support and Revenue				
Public Support:				
Cash contributions and pledges	\$ 20,886,342	\$ 7,956,579	\$ 28,842,921	\$ 32,492,473
Contributions of goods and services	15,441,685		15,441,685	16,877,601
Grants from government agencies	12,648,358	3,150,000	15,798,358	6,781,559
Investment return, net	951,820	1,298,719	2,250,539	(2,295,450)
Other revenue	23,029		23,029	13,366
Gain on sale of property	1,147,000		1,147,000	835,058
Net assets released from restrictions	33,709,510	(33,709,510)		
Total Public Support	84,807,744	(21,304,212)	63,503,532	54,704,607
Expenses:				
Program services	45,377,799		45,377,799	47,630,236
Management and general	3,907,967		3,907,967	2,956,643
Fundraising	3,945,442		3,945,442	3,241,122
Total Expenses	53,231,208		53,231,208	53,828,001
Change in Net Assets	31,576,536	(21,304,212)	10,272,324	876,606
Net assets, beginning of year	52,573,069	34,202,448	86,775,517	85,898,911
Net Assets, End of Year	\$ 84,149,605	\$ 12,898,236	\$ 97,047,841	\$ 86,775,517

See accompanying notes.

NORTHWEST HARVEST/E.M.M.

**Statement of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Food and non-food distribution	\$ 27,084,662	\$ -	\$ -	\$ 27,084,662	\$ 31,570,036
Labor, taxes and benefits	6,384,371	2,782,627	1,979,778	11,146,776	9,473,807
Partner capacity grants	4,628,541			4,628,541	5,146,647
Facilities and equipment	3,108,484	151,199	109,951	3,369,634	2,847,225
Professional services	367,398	411,203	197,139	975,740	1,046,885
Food and non-food transportation	1,263,763			1,263,763	890,338
Other operating	356,500	235,444	434,507	1,026,451	748,955
Depreciation	1,517,290	38,194	54,805	1,610,289	592,542
In-kind media services			698,800	698,800	532,000
Technology and telecommunications	289,851	113,664	90,800	494,315	380,691
Travel, learning and outreach	190,274	156,780	69,910	416,964	254,632
Branding, marketing and solicitations	15,304	18,856	309,752	343,912	217,803
Other in-kind goods and services	171,361			171,361	126,440
Total Expenses	\$ 45,377,799	\$ 3,907,967	\$ 3,945,442	\$ 53,231,208	53,828,001

See accompanying notes.

NORTHWEST HARVEST/E.M.M.**Statement of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 10,272,324	\$ 876,606
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities-		
Noncash items included in change in net assets		
In-kind inventory revenue	(14,405,536)	(16,278,111)
In-kind inventory expense	14,484,328	22,007,229
Depreciation	1,610,289	592,542
Realized and unrealized (gain) loss on investments	(1,191,358)	2,067,164
Change in beneficial interests	(84,546)	228,286
Contributions and grants received for investment in long-term assets and endowment	(3,066,994)	(5,471,026)
Gain on sale of property and equipment	(1,147,000)	(832,270)
Changes in operating assets and liabilities:		
Contributions, grants, and other receivables	(2,715,890)	(559,043)
Inventory	(4,775,451)	2,556,845
Prepaid expenses	(294,692)	11,919
Security deposits	147,465	(68,916)
Beneficial interest in trust	61,856	65,672
Operating lease liabilities net of right-of-use-assets	282,971	
Accounts payable	(1,210,983)	1,197,147
Accrued liabilities	213,424	(285,370)
Refundable advances		(177,953)
Deferred rent liability	(294,649)	130,942
Net Cash (Used in) Provided by Operating Activities	(2,114,442)	6,061,663
Cash Flows From Investing Activities:		
Purchase of investments	(5,302,064)	(945,996)
Proceeds from sale of investments	9,324,800	2,460,217
Purchase of property and equipment	(12,340,110)	(20,857,153)
Net Cash Used in Investing Activities	(8,317,374)	(19,342,932)
Cash Flows From Financing Activities:		
Proceed from contributions and grants restricted for investments in long-term assets and endowments	5,566,903	2,901,117
Net Cash Provided by Investing Activities	5,566,903	2,901,117
Net Change in Cash and Cash Equivalents	(4,864,913)	(10,380,152)
Cash and cash equivalents balance, beginning of year	8,941,180	19,321,332
Cash and Cash Equivalents Balance, End of Year	\$ 4,076,267	\$ 8,941,180

See accompanying notes.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Summary of Organization and Significant Accounting Policies

Organization and Operation - Northwest Harvest/E.M.M. (the Organization) is a Washington nonprofit corporation. The Organization's mission is growing food justice through collective action. The Organization's vision is ending hunger in Washington State.

The Organization recognizes that repairing the centuries-old systems of oppression that perpetuate hunger and poverty is not something one organization can do on its own. The Organization is part of a nationwide movement that advocates for equitable policies, distributed leadership, and a right to food for all people nationwide. It partners with a network of over 400 organizations to operate an emergency food supply chain in every county in Washington and runs two no-cost grocery market in Seattle and in Yakima where people can shop with dignity. Through food distribution, Northwest Harvest gets nutritious food to its partners and promotes more equitable systems along the way.

Fiscal Sponsorships - The Organization has a memorandum of understanding with the Anti-Hunger Nutrition Coalition (AHNC), Soul of Seattle (SOS), and National Right to Food Community of Practice (NRFCP). Under these agreements, the Organization will serve as a fiscal sponsor until AHNC, SOS, and NRFCP incorporate and obtain tax exempt status. All donations received by the Organization on behalf of AHNC, SOS, and NRFCP are treated as donor-restricted donations and are released when spent on a AHNC, SOS, or NRFCP program. During the years ended June 30, 2023 and 2022, amounts received and paid on behalf of AHNC, SOS, and NRFCP were not significant to the financial statements.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time, or net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

Contributions, Grants and Other Receivables - Contributions and grants, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are met. Conditional contributions and grants for which conditions had not yet been met totaled \$3,820,699 and \$860,182 at June 30, 2023 and 2022, respectively. The unrecognized amounts of these grants and contributions will be recognized as revenue in future periods when, and if, the related conditions are met. Any cash advances in which conditions have not yet been met as of June 30, 2023, are recorded as deferred revenue.

Unconditional promises to give to be collected in future years are recorded at fair value when the promise is made based on a discounted cash flow model. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible accounts is recorded using an estimated percentage of outstanding contributions receivable. At June 30, 2023 and 2022, an allowance of \$20,643 was recorded.

Donated Goods and Services - The Organization has included the value of donated goods and qualifying services as a part of total revenue and expenses. Food and non-food products are recorded at values using average fair value per pound or fair value of donated services, equipment and software. Facility rental and advertising are valued at comparable costs quoted to the general public.

Cash and Cash Equivalents - The Organization considers all highly liquid assets purchased, with an original maturity of three months or less, to be cash equivalents, except those held in its investment portfolio. Cash and cash equivalents include money market funds, which are not subject to withdrawal restrictions or penalties and are stated at cost, which approximates fair value. The Organization maintains its cash and cash equivalents in depository institution accounts and money market accounts that at times exceed federally insured limits.

Investments - Investments are comprised of equity securities, fixed income securities, and money market funds. Money market funds are recorded at cost plus accrued interest, which approximates fair value. Investments with readily determinable market values are stated at fair value based on quoted market prices. The Organization maintains its investments in accounts that at times exceed federally insured limits.

Inventory Valuation - Inventory consists principally of food held for distribution and is valued at cost if purchased and at \$1.70 per pound if donated.

Beneficial Interests in Funds Held by Others - Amounts represent a trust and two endowment funds held and managed by others. The Organization initially records such amounts at their net present value when notified by the donor or donor representative. Thereafter, the interests are adjusted annually to fair value.

Property, Equipment and Depreciation - The Organization capitalized all assets with a cost greater than \$5,000 and an estimated useful life of one or more years. Property and equipment is recorded at cost if purchased and at fair value if donated. Leasehold improvements are depreciated over the shorter of the lease term or useful life. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful lives of the assets.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

Advertising - The Organization uses advertising to promote its programs among the community it serves. Donated amounts for radio and television advertising and billboard space are recorded as in-kind support with an offsetting amount as fundraising expense. Costs incurred directly by the Organization include periodic informational newsletters and script for media advertising, which are expensed as incurred.

Concentrations - The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Functional Allocation of Expenses - Expenses that directly relate to program and support services are reported accordingly. Some categories of expenses are attributable to one or more program or supporting services of the Organization. These expenses include information technology costs, depreciation, and facilities and related occupancy costs. These costs are allocated based on the percentage of payroll costs for each department.

Income Taxes - The Internal Revenue Service (IRS) has determined that the Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). As such, the Organization is subject to income taxes only on unrelated business income. During the years ended June 30, 2023 and 2022, the Organization had no unrelated business income; and, accordingly, no provision for federal income taxes has been reported in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leases - Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of \$4,219,284 and a right-of-use asset of \$4,513,933 and derecognized deferred rent liability of \$294,649.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 1 - Continued

The Organization determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's leases do not provide an implicit rate of return; thus, the Organization uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$5,000.

Reclassifications - Certain reclassifications were made to the June 30, 2022, financial statements to conform to the current period presentation. The reclassifications have no effect on previously reported change in net assets or net assets except for those described in Note 13.

Summarized Information for Prior Year - The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Subsequent Events - The Organization has evaluated subsequent events through February 14, 2024, the date on which the financial statements were available to be issued.

Note 2 - Donated Goods and Services

The following summary of donated goods and services revenue is reflected in the accompanying financial statements for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Food and non-food goods received	\$ 14,405,536	\$ 16,278,111
Donated media	698,800	532,000
Other donated goods and services	<u>337,349</u>	<u>67,490</u>
Total Contributed Goods and Services	<u>\$ 15,441,685</u>	<u>\$ 16,877,601</u>

All in-kind contributions received are used in the Organization's program activities. In-kind contributions of food were valued using an estimated price per pound of \$1.70 for the years ended June 30, 2023 and 2022. Other donated goods and services are valued at their estimated fair value when received. Donated media is valued based on the price that would have been paid for the similar services if they had not been donated as communicated by the donor.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 3 - Unemployment Self-Insurance

The Organization is a member of the 501(c) Agencies Trust (the Trust). The Trust facilitates the utilization by member agencies of the reimbursement financing method of meeting obligations under State Unemployment Insurance Statutes. The reserve balance totaled \$110,490 and \$97,660 at June 30, 2023 and 2022, respectively, and is included in prepaid expenses on the statement of financial position. On a quarterly basis the Organization reviews the activity in its Trust account and reduces the reserve balance by any claims disbursed out of its account. As of both June 30, 2023 and 2022, an accrual of \$10,000 has been made for any potential incurred but not reported unemployment claims that may exist at each date and is included in accrued liabilities on the statement of financial position.

Note 4 - Property and Equipment

The components of property and equipment and related useful lives for depreciation at June 30 are as follows:

	Useful Lives	2023	2022
Land		\$ 2,556,385	\$ 2,556,385
Buildings and improvements	5 - 10 years	24,214,040	348,436
Leasehold improvements	Lesser of 10 years or lease term	2,443,750	2,352,898
Office furniture and equipment	5 - 10 years	8,163,312	752,289
Food storage equipment	5 - 7 years	2,149,156	1,576,320
Automotive equipment	5 years	3,295,266	1,914,524
Computers and software	3 - 5 years	1,567,607	1,058,354
Construction in progress		129,984	21,727,606
Property and equipment, at cost		44,519,500	32,286,812
Less accumulated depreciation		(7,116,409)	(5,676,014)
Total Property and Equipment, Net		\$ 37,403,091	\$ 26,610,798

Construction in progress at June 30, 2022 primarily related to the construction of a new Yakima distribution center. Construction of the building was completed during the year ended June 30, 2023.

Note 5 - Beneficial Interests in Trusts and Funds Held by Others

Perpetual Trust - The Organization was named as a beneficiary of a perpetual trust. Under the terms of the trust, an independent trustee will make semi-annual distributions, in perpetuity, to the Organization based upon 2.5% of the trust net assets. The distributions are available for general operations. Accordingly, contribution revenue and the related asset were recognized at fair value in the period in which the Organization received notice that the trust agreement conveyed an unconditional, irrevocable right to receive benefits. Subsequent changes in the value of the underlying assets have been recorded in the accompanying statement of activities and changes in net assets as a component of donor restricted investment return.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 5 - Continued

Seattle Foundation - In November 2007, the Organization established two donor restricted endowment funds (the Funds) at the Seattle Foundation (the Foundation). Donors granted no variance power to the Foundation. Donors granted no variance power to the Foundation as such these funds are considered agency funds by the Foundation. The Foundation must distribute not less often than annually, unless otherwise requested by the Organization, approximately 5% (determined by the Board of Trustees of the Foundation) of the fair market value of the Funds, with the excess earnings, if any, remaining donor restricted until appropriated for expenditure. The endowment must be retained, administered, and managed by the Foundation for the benefit of the Organization.

Beneficial interests in trusts and funds held by others are summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Perpetual trust	\$ 985,410	\$ 970,953
Seattle Foundation endowment	155,053	146,820
	<u><u>\$ 1,140,463</u></u>	<u><u>\$ 1,117,773</u></u>

Note 6 - Investments and Fair Value Measurements

Investments are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 6,698,281	\$ 354,525
Equity securities	6,455,378	4,154,406
Certificates of deposit	3,530,351	2,488,115
Municipal bonds	9,387,364	14,011,393
Corporate bonds	17,717,703	25,612,016
	<u><u>\$ 43,789,077</u></u>	<u><u>\$ 46,620,455</u></u>

The investments at June 30, 2023 and 2022, are all held in short-term instruments. However, the Organization considers these to be long-term investments as management intends to hold these balances as a long-term operating reserve, and the investments are subject to the Organization's investment policy.

U.S. GAAP provides a framework for measuring fair value. To increase consistency and comparability in fair value measurements, the framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the primary or most advantageous market for the asset or liability in an orderly transaction between market participants.

The framework uses a three-level valuation hierarchy based on observable and nonobservable inputs. Observable inputs consist of data obtained from independent sources. Nonobservable inputs reflect industry assumptions. These two types of inputs are used to create the fair value hierarchy, giving preference to observable inputs.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Continued

Assets classified as Level 1 have fair values based on unadjusted quoted market prices for identical instruments in active markets. Assets and liabilities classified as Level 2 have fair values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-derived valuations whose inputs are observable. Assets and liabilities classified as Level 3 have fair values based on value drivers that are unobservable.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money Market Funds - Consist primarily of money market funds and are valued at the closing price reported on the active markets in which the securities are traded at fiscal year end.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Certificates of Deposit, Municipal and Corporate Bonds - Valued at the closing price reported for similar instruments on the active market on which the securities are traded.

Beneficial Interests in Trusts and Funds Held by Others - Valued using the proportionate share of fair value of the underlying investments held by the trustee or Seattle Foundation as provided by the trustee or Seattle Foundation.

The valuation methodologies used by the Organization may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Values Measured on a Recurring Basis - Fair values of assets and liabilities measured on a recurring basis at June 30 are as follows:

	Investments and Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 6,698,281	\$ -	\$ -	\$ 6,698,281
Equities	6,455,378			6,455,378
Certificates of deposit		3,530,351		3,530,351
Municipal bonds		9,387,364		9,387,364
Corporate bonds		17,717,703		17,717,703
Total investments	13,153,659	30,635,418		43,789,077
Beneficial interest in funds held by others			1,140,463	1,140,463
Total Assets at Fair Value	\$13,153,659	\$30,635,418	\$ 1,140,463	\$44,929,540

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 6 - Continued

	Investments and Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 354,525	\$ -	\$ -	\$ 354,525
Equities	4,154,406			4,154,406
Certificates of deposit		2,488,115		2,488,115
Municipal bonds		14,011,393		14,011,393
Corporate bonds		25,612,016		25,612,016
Total investments	4,508,931	42,111,524		46,620,455
Beneficial interest in funds held by others			1,117,773	1,117,773
Total Assets at Fair Value	\$ 4,508,931	\$42,111,524	\$ 1,117,773	\$47,738,228

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs for the years ended June 30, 2023:

	2023	2022
Beginning balance	\$ 1,117,773	\$ 1,411,731
Distributions	(61,856)	(65,672)
Investment returns, net	84,546	(228,286)
Ending Balance	\$ 1,140,463	\$ 1,117,773

Note 7 - Retirement Plan

The Organization has a 401(k) salary deferral plan for eligible employees who have one year of continuous service. At the discretion of the Board of Directors, the Organization may contribute an additional uniform percentage to each employee eligible to participate in the plan. Employer contributions for the years ended June 30, 2023 and 2022, were \$418,299 and \$323,377, respectively.

Note 8 - Lease Obligations

The Organization leases facilities and equipment under various operating lease agreements expiring through March 2029. Additionally, the leases include payments for common area maintenance, utilities, taxes and insurance that are considered variable lease payments and are excluded from determining the lease liability.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 8 - Continued

The components of operating lease expense for the year ended June 30, 2023 are as follows:

Operating lease costs	\$ 1,296,465
Variable lease costs	343,199
Short-term lease costs	<u>71,488</u>
Total Leasing Costs	<u><u>\$ 1,711,152</u></u>

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

Operating leases-	
Weighted average remaining lease term	4.3
Weighted average discount rate	3.3%
Cash paid for amounts included in measurement of lease liabilities	1,308,143

The future minimum lease payments under lease agreements are as follows for the years ending June 30:

For the Year Ending June 30,

2024	\$ 741,064
2025	837,146
2026	866,146
2027	833,972
2028	163,119
Thereafter	<u>125,073</u>
Total undiscounted cash flows	3,566,520
Less present value discount	<u>(236,492)</u>
Total Operating Lease Liabilities	<u><u>\$ 3,330,028</u></u>

Note 9 - Contingently Payable Property Liabilities and Contingencies

Contingently Payable Property Liabilities - In April 2023, the Organization was awarded a \$3,150,000 grant from the Washington State Department of Commerce to use towards specific components of the construction of the Yakima distribution center. The grant includes a clause that it shall be secured by a deed of trust on the property. The deed of trust is to remain in full force and effect for a period of ten years following final payment of state funds, which was received in June 2023. During the ten year period, the Organization is required to use the assets acquired with the grant funds for the purposes outlined in the grant agreement, or the Organization would be required to repay the grant funds. The Organization recognized the full grant amount as revenue during the year ended June 30, 2023, when the funds were spent on purchase of cold storage equipment for the distribution center and the related conditions were met.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 9 - Continued

Contingencies - The Organization is involved, from time to time, in various claims and other legal issues arising in the normal course of business. Management believes that any uninsured costs that may be incurred in the resolution of such claims would not be material to the Organization's financial position.

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time or expenditure for specific purpose-		
Food and other program services	\$ 964,394	\$ 13,952,266
Capital campaign		9,271,117
Unappropriated endowment earnings	1,834,806	926,809
Right to food	48,570	
Anti-Hunger Nutrition Coalition	79,696	72,380
Soul of Seattle	172,165	194,241
Restricted other (advocacy)	130,786	131,927
Health community advisory network	19,400	19,709
Other	43,674	43,711
Total Subject to the Passage of Time or Expenditure for Specific Purpose	3,293,491	24,612,160
Endowment corpus-		
Floyd Jones Endowment	\$ 8,499,909	\$ 6,000,000
Pledges receivable for Floyd Jones Endowment		2,499,909
Seattle Foundation endowment	119,426	119,426
Total endowment corpus	8,619,335	8,619,335
Beneficial interests in perpetual trusts	985,410	970,953
Total Net Assets With Donor Restrictions	<u>\$ 12,898,236</u>	<u>\$ 34,202,448</u>

Net assets with donor restrictions were released from restrictions for the following purposes during the years ended June 30:

	<u>2023</u>	<u>2022</u>
Releases from program restrictions-		
Endowment earnings appropriated	\$ 376,265	\$ 6,254
Capital campaign	9,271,117	
Program releases	24,062,128	3,117,347
Total Net Assets Released From Restriction	<u>\$ 33,709,510</u>	<u>\$ 3,123,601</u>

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 11 - Endowments

The Organization's endowments consist of the Floyd Jones endowment held by the Organization and two funds held at the Seattle Foundation (Note 5). As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, 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 determination, the Organization classifies as net assets with donor restriction to be held in perpetuity (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.

The remaining portion of the donor-restricted endowment fund representing accumulated earnings is held as net assets with donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, 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; and
- The investment policies of the Organization.

Endowment net assets consisted of the following at June 30:

	<u>Net Assets With Donor Restrictions</u>		<u>2023 Total</u>	<u>2022 Total</u>
	<u>Accumulated Earnings</u>	<u>Endowment Corpus</u>		
Donor restricted endowment funds-				
Floyd Jones endowment	\$ 1,799,180	\$ 8,499,909	\$ 10,299,089	\$ 6,899,416
Seattle Foundation endowment	35,627	119,426	155,053	146,820
Endowment Net Assets	<u>\$ 1,834,807</u>	<u>\$ 8,619,335</u>	<u>\$ 10,454,142</u>	<u>\$ 7,046,236</u>

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 11 - Continued

Changes to endowment net assets are as follows for the year ended June 30:

	Net Assets With Donor Restrictions		2023 Total	2022 Total
	Accumulated Earnings	Endowment Corpus		
Endowment net assets, beginning of year	\$ 926,809	\$ 6,119,426	\$ 7,046,235	\$ 8,083,455
Endowment investment return	1,284,263		1,284,263	(1,030,965)
Contributions and collections on pledges		2,499,909	2,499,909	
Appropriations for expenditure	(376,265)		(376,265)	(6,254)
Endowment Net Assets, End of Year	<u>\$ 1,834,807</u>	<u>\$ 8,619,335</u>	<u>\$ 10,454,142</u>	<u>\$ 7,046,236</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new endowment contributions and continued appropriation for certain programs as deemed prudent by the Board of Directors. There were no such deficiencies as of June 30, 2023 and 2022.

Endowment Policies and Strategies - The Organization's endowments invested at the Seattle Foundation are subject to its investment policies. As discussed in Note 5, the Foundation must distribute not less often than annually, unless otherwise requested by the Organization, approximately 5% (determined by the Board of Trustees of the Foundation) of the fair market value of the Funds, with the excess earnings, if any, being added to principal.

The Floyd Jones Endowment is held by the Organization following the Organization's investment and spending policies for the that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The specific financial objective is for total return, less expenses and distribution of income, to equal or exceed the Consumer Price Index for that period. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A significant portion of the funds are invested to seek growth of principal over time.

The Organization uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Directors, is applied to the average fair value of the endowment investments for the prior 12 quarters at June 30 of each year to determine the spending amount for the upcoming year and is generally between 4% and 5% as determined by the Board. In establishing this policy, the Organization considered the long-term expected return on the Endowment and set the rate with the objective of maintaining the purchasing power of the Endowment over time.

NORTHWEST HARVEST/E.M.M.

Notes to Financial Statements For the Year Ended June 30, 2023 (With Comparative Totals for 2022)

Note 12 - Liquidity and Availability of Financial Assets

The Organization strives to maintain liquid financial assets sufficient to cover a minimum of three months, including expected food purchases, of total operating expenses including the following: Cash reserves representing a minimum of three months of total operating expenses comprised of checking and money market accounts held in FDIC insured bank accounts or other cash equivalent accounts. Operating expenses are defined as the 12 months forward looking average cash basis expenses based on budget or forecast.

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, respectively, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or designations by the board of directors.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,076,267	\$ 8,941,180
Contributions, grants, and other receivables	4,784,753	4,568,772
Investments	33,489,988	39,721,039
Endowment investments	10,299,089	6,899,416
Beneficial interest in trusts and funds held by others	<u>1,140,463</u>	<u>1,117,773</u>
Total financial assets, excluding noncurrent receivables	53,790,560	61,248,180
Contractual or donor-imposed restrictions-		
Net assets subject to the passage of time or purpose	(1,458,685)	(23,685,351)
Beneficial interest in perpetual trust	(985,410)	(970,953)
Endowment funds	(10,454,141)	(9,546,144)
Add back amount to be appropriated for following year	<u>376,000</u>	<u>376,265</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 41,268,324</u>	<u>\$ 27,421,997</u>

Note 13 - Prior Period Restatement

During the year ended June 30, 2023, management of the Organization reassessed its presentation of the accumulated unspent earnings from its Floyd Jones endowment, which had previously been reported as board designated net asset. Management determined the accumulated unspent earnings from the Floyd Jones endowment should be classified as donor restricted net assets until the earnings are appropriated in accordance with the Organization's endowment policy. Therefore, a correction was implemented to reflect the accumulated, unappropriated endowment earnings as subject to donor restrictions.

Additionally, management of the Organization identified grants and contributions restricted for the capital campaign, for the acquisition and development of the Yakima Distribution Center that were recognized as revenue and released from donor restrictions in prior years when expenditures on development were incurred. Therefore, a correction was made to reflect the donor restricted grants and contributions for the capital campaign as donor restricted net assets, until the building was placed in service during the year ended June 30, 2023.

NORTHWEST HARVEST/E.M.M.

**Notes to Financial Statements
For the Year Ended June 30, 2023
(With Comparative Totals for 2022)**

Note 13 - Continued

The financial statements have been restated as follows as of and for the year ended June 30, 2022:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Statement of Financial Position as of June 30, 2022			
Net Assets:			
Net assets without donor restrictions	\$ 62,743,603	\$ (10,170,534)	\$ 52,573,069
Net assets with donor restrictions	24,031,914	10,170,534	34,202,448
Statement of Activities for the Year Ended June 30, 2022			
Ending Net Assets:			
Net assets without donor restrictions	\$ 62,743,603	\$ (10,170,534)	\$ 52,573,069
Net assets with donor restrictions	24,031,914	10,170,534	34,202,448

SUPPLEMENTARY INFORMATION

NORTHWEST HARVEST/E.M.M.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listings Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of the Treasury:				
Passed-through Washington State Department of Agriculture Coronavirus State and Local Fiscal Recovery Funds	21.027	WSDA-K3999	\$ -	\$ 9,660,066
Total Federal Assistance Listing Number 21.027 and Department of the Treasury				9,660,066
U.S. Department of Agriculture:				
Passed-through Washington State Department of Agriculture Emergency Food Assistance Program (Food Commodities)	10.569	WSDA-K3424		308,991
Total Federal Assistance Listing Number 10.569 and U.S. Department of Agriculture				308,991
Total Expenditures of Federal Awards			\$ -	\$ 9,969,057

See independent auditor's report and notes to schedule of expenditures of federal awards.

NORTHWEST HARVEST/E.M.M.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2023. 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, changes in net assets, functional expenses 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.

Note 3 - Indirect Cost Rate

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

SINGLE AUDIT REPORTS

**Report 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***

Independent Auditor's Report

**To the Board of Directors
Northwest Harvest/E.M.M.
Seattle, Washington**

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 the Organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2024.

Report on Internal Control Over Financial Reporting

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

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

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



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Report on Compliance and Other Matters

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

Purpose of This Report

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

Clark Nuber PS

Certified Public Accountants
February 14, 2024

Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance

Independent Auditor's Report

**To the Board of Directors
Northwest Harvest/E.M.M.
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Northwest Harvest/E.M.M.'s 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 the Organization's major federal programs for the year ended June 30, 2023. The Organization'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, the Organization 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, 2023.

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; 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 the Organization 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 the Organization's compliance with the compliance requirements referred to above.



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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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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 the Organization'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.

Clark Nuber PS

Certified Public Accountants
February 14, 2024

NORTHWEST HARVEST/E.M.M.

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported.

Type of auditor's report issued on compliance for major programs:

Unmodified

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

Assistance Listing Numbers

Name of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

NORTHWEST HARVEST/E.M.M.

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2023**

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



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Summary Schedule of Prior Audit Findings

Northwest Harvest/E.M.M.

Washington State Department of Agriculture pass-through identifying number: WSDA-K3521 and K3636

Audit Period: June 30, 2022

Financial Statement Findings

Prior Audit Finding Number 2022-001 - Significant deficiency in internal control over financial reporting related to inventory.

Summary of Prior Audit Finding: Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. During our walkthrough of internal controls, we noted there was no CFO review of inventory consistently throughout the year which is supposed to be part of the month-end close process. While material data entry errors may be detected during routing review of financial reports, less significant errors could go undetected.

Status: Corrective action was taken.

Prior Audit Finding Number 2022-002 - Material weakness in internal control over financial reporting related to the maintenance of time sheets for personnel.

Summary of Prior Audit Finding: Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. During our testing of internal controls, we noted several instances where electronic timesheets in ADP were not approved by the staff person's supervisor, or at least no report or documentation that could verify it.

Status: Corrective action was taken.

Prior Audit Finding Number 2022-003 - Significant deficiency in internal control over financial reporting related to implementing accounting policies for revenue recognition.

Summary of Prior Audit Finding: Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. During our testing of internal controls, we noted Northwest Harvest lacks a policy for government grant revenue recognition.

Status: Management is developing a policy pertaining to revenue recognition for government grants centering on accounting standard ASU 2018-08 for not-for-profit entities.

Contact Person: Michael Wong, Director of Finance



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Federal Award Findings and Questioned Costs

Prior Audit Finding Number 2022-004 - Material weakness in internal control over compliance related to procurement and suspension and debarment.

Summary of Prior Audit Finding: Northwest Harvest has yet to formally adopt a procurement policy that meets the requirements of the Uniform Guidance and has not established procedures to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

Status: The Procurement Policy and Procedure, including vendor review for suspension and debarment, was put into place effective 7/1/2023.

Contact Person: Michael Wong, Director of Finance

Prior Audit Finding Number 2022-005 - Material weakness in internal controls over compliance related to allowable costs.

Summary of Prior Audit Finding: Northwest Harvest could not provide proper documentation showing expense codes for various disbursements in our testing. Furthermore, timesheets do not include project codes and therefore there is no documentation of how employees spend their time on government grants.

Status: Corrective action was taken.