

**SECOND HARVEST FOOD BANK
OF EAST TENNESSEE**

Financial Statements and Other Financial Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



SECOND HARVEST FOOD BANK OF EAST TENNESSEE

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**Second Harvest Food Bank of East Tennessee
Roster of Board of Directors and Executive Staff
As of June 30, 2022**

Board of Directors

Jacob Ogle	President
Lori Hickok	Secretary/Treasurer
Patrick Birmingham	Vice President
Drew Everett	Member
Shannon Johnson	Member
David Keim	Member
David Reynolds	Member
Tim McLemore	Member
Dean John Ross	Member
Bob Haralson	Member
David Owens	Member

Executive Staff

Elaine Streno	Chief Executive Officer
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Second Harvest Food Bank of East Tennessee:

Opinion

We have audited the accompanying financial statements of Second Harvest Food Bank of East Tennessee (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 ("GAAP").

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' 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 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 GAAP, 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted 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 generally accepted 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and related notes on pages 21 through 23, 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 GAAS. In our opinion, the schedule of expenditures of federal and state awards and related notes are fairly stated in all material respects in relation to the financial statements as a whole.

The roster of board of directors and executive staff on Page 1, as required by the Tennessee Audit Manual issued by the State of Tennessee Comptroller of the Treasury, is presented for purposes of additional analysis and is not a required part of the financial statements and has not been subjected to the auditing procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide any assurance on that information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2022, 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.

LBMC, PC

Knoxville, Tennessee
December 22, 2022

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statements of Financial Position

June 30, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash	\$ 2,088,122	\$ 20,249,184
Accounts and other receivables	206,107	35,668
Grants receivable	173,324	128,405
Investments	18,083,390	405,902
Prepaid expenses	49,627	66,123
Products held for distribution	<u>1,838,250</u>	<u>2,743,300</u>
Total current assets	22,438,820	23,628,582
Property and equipment, net:		
Land	418,093	441,600
Building	4,242,301	4,050,338
Warehouse equipment	682,643	620,995
Automobiles and trucks	2,052,523	1,681,268
Cold storage equipment	2,026,074	2,019,541
Office furniture and equipment	<u>395,991</u>	<u>366,413</u>
	9,817,625	9,180,155
Accumulated depreciation	<u>3,476,189</u>	<u>3,073,439</u>
Property and equipment, net	6,341,436	6,106,716
Beneficial interest in assets held by others	3,949	3,949
Deposits	<u>1,570</u>	<u>1,570</u>
	<u>\$ 28,785,775</u>	<u>\$ 29,740,817</u>

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Current installments of long-term debt	\$ -	\$ 409,301
Trade accounts and other payables	603,564	294,445
Accrued compensation	106,452	110,670
Deferred event revenue	<u>-</u>	<u>305,679</u>
Total current liabilities	<u>710,016</u>	<u>1,120,095</u>
Net assets:		
Without donor restrictions	27,392,822	26,950,625
With donor restrictions	<u>682,937</u>	<u>1,670,097</u>
Total net assets	<u>28,075,759</u>	<u>28,620,722</u>
	<u>\$ 28,785,775</u>	<u>\$ 29,740,817</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributed product	\$ -	\$ 27,820,761	\$ 27,820,761
Other contributions	5,344,726	723,812	6,068,538
Government grants	291,000	462,169	753,169
United Way	283,870	-	283,870
Distribution fees	2,509,881	-	2,509,881
In kind donations	146,187	-	146,187
Event revenue, net of expenses of \$130,315	<u>1,886,455</u>	<u>-</u>	<u>1,886,455</u>
Total support and revenue	10,462,119	29,006,742	39,468,861
 Net assets released from restrictions	 <u>29,993,902</u>	 <u>(29,993,902)</u>	 <u>-</u>
Total revenue, gains and other support	<u>40,456,021</u>	<u>(987,160)</u>	<u>39,468,861</u>
 Expenses:			
Food distribution program	37,610,977	-	37,610,977
Fundraising	1,180,181	-	1,180,181
Management and general	<u>398,852</u>	<u>-</u>	<u>398,852</u>
Total expenses	<u>39,190,010</u>	<u>-</u>	<u>39,190,010</u>
 Other changes in net assets			
Interest and dividend income	97,094	-	97,094
Investment loss	(1,351,702)	-	(1,351,702)
Paycheck Protection Program loan forgiveness	409,301	-	409,301
Gain on disposal of equipment	<u>21,493</u>	<u>-</u>	<u>21,493</u>
Total other changes	<u>(823,814)</u>	<u>-</u>	<u>(823,814)</u>
Change in net assets	442,197	(987,160)	(544,963)
 Net assets at beginning of year	 <u>26,950,625</u>	 <u>1,670,097</u>	 <u>28,620,722</u>
 Net assets at end of year	 <u>\$ 27,392,822</u>	 <u>\$ 682,937</u>	 <u>\$ 28,075,759</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statement of Activities and Changes in Net Assets

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributed product	\$ -	\$ 29,314,683	\$ 29,314,683
Other contributions	16,172,597	1,725,068	17,897,665
Government grants	736,151	309,162	1,045,313
United Way	286,586	-	286,586
Distribution fees	2,092,683	-	2,092,683
In kind donations	226,618	-	226,618
Event revenue, net of expenses of \$115,569	<u>1,989,857</u>	<u>-</u>	<u>1,989,857</u>
Total support and revenue	21,504,492	31,348,913	52,853,405
Net assets released from restrictions	<u>31,113,319</u>	<u>(31,113,319)</u>	<u>-</u>
Total revenue, gains and other support	<u>52,617,811</u>	<u>235,594</u>	<u>52,853,405</u>
Expenses:			
Food distribution program	35,955,779	-	35,955,779
Fundraising	1,034,828	-	1,034,828
Management and general	<u>338,581</u>	<u>-</u>	<u>338,581</u>
Total expenses	<u>37,329,188</u>	<u>-</u>	<u>37,329,188</u>
Other changes in net assets			
Interest and dividend income	69,949	-	69,949
Investment income	78,110	-	78,110
Other	932	-	932
Gain on disposal of equipment	<u>3,631</u>	<u>-</u>	<u>3,631</u>
Total other changes	<u>152,622</u>	<u>-</u>	<u>152,622</u>
Change in net assets	15,441,245	235,594	15,676,839
Net assets at beginning of year	<u>11,509,380</u>	<u>1,434,503</u>	<u>12,943,883</u>
Net assets at end of year	<u>\$ 26,950,625</u>	<u>\$ 1,670,097</u>	<u>\$ 28,620,722</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash provided by operating activities:		
Change in net assets	\$ <u>(544,963)</u>	\$ <u>15,676,839</u>
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	402,752	394,826
Gain on disposal of equipment	(21,493)	(3,631)
Non-cash contribution of investments	-	(327,792)
Investment loss (income)	1,351,702	(78,110)
Paycheck Protection Program loan forgiveness	(409,301)	-
(Increase) decrease in:		
Accounts and other receivables	(170,439)	180,372
Grants receivable	(44,919)	108,409
Prepaid expenses	16,496	(5,706)
Product held for distribution	905,050	(1,039,125)
Deposits	-	1,750
Increase (decrease) in:		
Trade accounts and other payables	309,119	(87,412)
Accrued compensation	(4,218)	(37,610)
Deferred event revenue	<u>(305,679)</u>	<u>265,937</u>
Total adjustments	<u>2,029,070</u>	<u>(628,092)</u>
Net cash provided by operating activities	<u>1,484,107</u>	<u>15,048,747</u>
Cash used by investing activities:		
Purchases of property and equipment	(660,979)	(565,689)
Proceeds from disposal of equipment	45,000	9,380
Proceeds from sale of investments	25,354	-
Purchases of investments	<u>(19,054,544)</u>	<u>-</u>
Net cash used by investing activities	<u>(19,645,169)</u>	<u>(556,309)</u>
(Decrease) increase in cash and cash equivalents	(18,161,062)	14,492,438
Cash at beginning of year	<u>20,249,184</u>	<u>5,756,746</u>
Cash at end of year	\$ <u>2,088,122</u>	\$ <u>20,249,184</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statement of Functional Expenses

Year ended June 30, 2022

	Food Distribution Program	Fundraising	Management and General	Totals
Product distribution	\$ 33,385,645	\$ -	\$ -	\$ 33,385,645
Salaries and wages	1,660,842	586,882	235,652	2,483,376
Payroll taxes	122,190	43,178	17,337	182,705
Health insurance	250,991	88,692	35,612	375,295
Retirement contributions	40,106	14,172	5,691	59,969
Other employee benefits	37,215	12,153	4,880	54,248
Depreciation	362,477	24,165	16,110	402,752
Printing and publications	3,714	38,037	501	42,252
Direct mail	-	234,216	-	234,216
Postage	6,580	372	887	7,839
Office supplies	7,111	402	958	8,471
Office equipment lease	26,568	400	954	27,922
Telephone	26,092	1,476	3,516	31,084
Utilities	84,783	4,796	11,426	101,005
Insurance	88,235	9,696	7,820	105,751
Fuel and vehicle registration	177,511	-	-	177,511
Repairs and maintenance	440,673	14,225	33,895	488,793
Conferences and travel	14,691	5,631	5,529	25,851
Dues and licenses	9,489	2,422	8,659	20,570
Professional services	60,042	21,217	8,519	89,778
Agency grants	243,868	-	-	243,868
Agency expenses	163,570	-	-	163,570
Warehouse and program expenses	395,352	-	-	395,352
Credit card processing fees	-	59,509	-	59,509
Other	3,232	18,540	358	22,130
Interest expense	-	-	548	548
	<u>\$ 37,610,977</u>	<u>\$ 1,180,181</u>	<u>\$ 398,852</u>	<u>\$ 39,190,010</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Statement of Functional Expenses

Year ended June 30, 2021

	Food Distribution Program	Fundraising	Management and General	Totals
Product distribution	\$ 32,229,457	\$ -	\$ -	\$ 32,229,457
Salaries and wages	1,448,244	502,159	203,964	2,154,367
Payroll taxes	101,105	35,057	14,239	150,401
Health insurance	158,687	55,023	22,348	236,058
Retirement contributions	34,700	12,032	4,887	51,619
Other employee benefits	29,921	9,682	3,933	43,536
Depreciation	359,443	21,230	14,153	394,826
Printing and publications	9,856	23,059	1,326	34,241
Direct mail	-	235,562	-	235,562
Postage	11,832	645	1,592	14,069
Office supplies	5,194	283	699	6,176
Office equipment lease	14,277	402	992	15,671
Telephone	25,092	1,367	3,375	29,834
Utilities	76,167	4,152	10,245	90,564
Insurance	71,227	7,306	6,045	84,578
Fuel and vehicle registration	113,205	-	-	113,205
Repairs and maintenance	408,314	13,206	32,597	454,117
Conferences and travel	6,034	2,704	2,292	11,030
Dues and licenses	300	4,020	5,067	9,387
Professional services	65,150	22,590	9,176	96,916
Agency grants	618,879	-	-	618,879
Agency expenses	54,785	-	-	54,785
Warehouse and program expenses	110,415	-	-	110,415
Credit card processing fees	-	81,081	-	81,081
Other	3,495	3,268	493	7,256
Interest expense	-	-	1,158	1,158
	<u>\$ 35,955,779</u>	<u>\$ 1,034,828</u>	<u>\$ 338,581</u>	<u>\$ 37,329,188</u>

See accompanying notes to the financial statements.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(1) Nature of activities

Second Harvest Food Bank of East Tennessee ("Second Harvest"), was incorporated in July 1981 and is certified as a member of Feeding America.

Second Harvest, located in Maryville, Tennessee, is a non-profit service organization dedicated to alleviating hunger in the community. Its primary commitment to the surrounding eighteen counties of East Tennessee is to provide and distribute food to those agencies who feed the hungry. Second Harvest receives contributions of surplus or salvage food from national and local food producers and United States Department of Agriculture ("USDA") food products from the Tennessee Department of Agriculture, and distributes these products to certified charitable organizations such as church sponsored pantries that provide emergency food baskets, programs for disadvantaged children, programs for the handicapped, low income day care centers, and homeless shelters. Second Harvest also operates a Food Rescue program where donated food is picked up from area grocery stores and restaurants and distributed to local distribution programs.

(2) Summary of significant accounting policies

(a) Recently adopted accounting standard

In September 2020, the Financial Accounting Standards Board issued Accounting Standards ASU Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as in-kind contributions, for not-for-profit organizations. ASU No. 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an Organization's programs and other activities. The Organization adopted the new guidance effective July 1, 2021. Adoption of this guidance did not have a material impact on the Organization's financial statements.

(b) Basis of presentation

The Organization reports information regarding its financial position and activities based on the existence or absence of donor or grantor imposed restrictions. Net assets of the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor imposed restrictions.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

Net Assets With Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

(c) Accounts receivable

Second Harvest sells purchased food and supplies to their partner agencies at cost. Accounts receivable are reported at gross sales price less any applicable payments or adjustments. Second Harvest extends trade credit based on evaluation of those agencies' financial condition and, generally, does not require collateral. Second Harvest does not charge interest on past due accounts.

Second Harvest estimates an allowance for doubtful accounts on trade accounts receivable, which may not be fully collectible, based on its knowledge of partner agencies' individual credit circumstances, the historical loss experience and current economic conditions. Accounts determined to be uncollectible are charged off against the allowance in the period of determination. There were no charge offs for the years ended June 30, 2022 or 2021.

Accounts receivable are deemed to be fully collectible by management, and no allowance for doubtful accounts is considered necessary at June 30, 2022 or 2021.

(d) Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are shown at their fair values in the statement of financial position. Investment income (loss) shown in the statement of activities includes interest, dividends, and realized and unrealized gains and losses, net of investment expenses. Investment return is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions. Investment return that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restrictions are met or expire in the year in which the income is recognized. All other donor-restricted investment return is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(e) Products held for distribution

Products held for distribution include donated inventory, purchased inventory, program inventory, and undistributed USDA commodities and consists primarily of assorted food, beverages, and condiments ("food"). Donated food received from food drives, food companies, grocery stores and Feeding America is valued at \$1.92 per pound for 2022 and \$1.79 per pound for 2021, which represents the estimated average market value of the food at the date of the gift based on a study commissioned by Feeding America. Purchased and program inventory is reported at cost. USDA inventory is valued at \$1.92 and \$1.70 using the price established by Feeding America for 2022 and 2021, respectively.

(f) Property and equipment

Property and equipment are reported at cost or, in the case of contributed property, at the estimated fair value at the date of receipt. It is Second Harvest's policy to capitalize property and equipment expenditures with a useful life of greater than one year and a cost in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years.

(g) Contributions and support

Contributions are recorded as support when cash or other assets are received. Contributed food and other products for distribution are recorded as support at their estimated average market value on the date of receipt. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of property and equipment and other long-lived assets with explicit restrictions that specify how the assets are to be used, including cash contributed to acquire such assets, are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the expiration of donor restrictions is reported when the donated or acquired assets are placed in service.

In-kind contributions are recorded based on their estimated fair value at the date of donation.

Distribution fees are recognized upon transfer of control, title and risk of loss, which is generally upon the product being picked up by the customer.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(h) Functional expense allocation

The costs to provide programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain expenses have been allocated among the program and supporting services benefited. Costs directly related to a specific function are charged to that function. Salaries and benefits are allocated based on an analysis of employee time spent on program services and other activities. Occupancy costs are allocated based on the use of the space. Other costs are allocated based on management's best estimates.

(i) Income taxes

Second Harvest qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code as a public charity. As such, no accrual for income taxes has been made in the accompanying financial statements.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2022 and 2021.

As of June 30, 2022 and 2021, the Organization has accrued no interest and no penalties related to uncertain tax positions. It is the Organization's policy to recognize interest and/or penalties related to income tax matters in income tax expense. The Organization files a U.S. Federal informational tax return annually. The Organization is subject to routine audits under the Internal Revenue Service, and there are no audits currently in process.

(j) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions they may undertake in the future, actual results could differ from those estimates.

(k) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(l) New accounting pronouncement, not yet adopted

The Federal Accounting Standards Board's ("FASB") new lease accounting standard, ASU No. 2016-02, *Leases*, which was issued in February 2016, will generally require recognition on the statement of financial position for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of activities). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance is effective for the Organization beginning July 1, 2022. The Organization continues to evaluate the impact the standard will have on its financial statements.

(m) Events occurring after reporting date

Second Harvest has evaluated events and transactions that occurred between June 30, 2022 and December 22, 2022 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There have been no events since June 30, 2022 that require additional disclosure.

(3) Liquidity

A summary of the Organization's financial assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year of the statement of financial position date is as follows:

	<u>2022</u>	<u>2021</u>
Cash	2,088,122	20,249,184
Accounts and other receivables	206,107	35,668
Grants receivable	173,324	128,405
Investments	18,083,390	405,902
Beneficial interest in assets held by others	<u>3,949</u>	<u>3,949</u>
Financial assets at end of year	20,554,892	20,823,108
Less assets unavailable for general expenditures within one year:		
Financial assets subject to donor restrictions	<u>(243,965)</u>	<u>(202,534)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,310,927</u>	<u>\$ 20,620,574</u>

Additionally as described in Note (6), the Organization has a bank line of credit that could be made available for operations, if necessary.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(4) Assets and liabilities measured at fair value

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (level 1), or significant other observable inputs (level 2) and the reporting entity's own assumptions about market participant assumptions (level 3). The Organization does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2022 or 2021.

(a) Financial instruments

The carrying amount of financial instruments, consisting of cash, accounts and other receivable, grants receivable, products held for distribution, other current assets, trade accounts and other payables, accrued compensation, and other current liabilities approximate their fair value due to their relatively short maturities.

(b) Non-financial assets

The Organization's non-financial assets, which include property and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required and the Organization is required to evaluate the non-financial instrument for impairment, a resulting asset impairment would require that the non-financial asset be recorded at the fair value. During the years ended June 30, 2022 and 2021, the Organization did not measure any non-financial assets at fair value or recognize any revenues or expenses related to changes in fair value for non-financial assets.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022 and 2021.

- (i) *Mutual funds*: Valued based on the funds' reported closing net asset values of shares held by the Organization as of the last business day of the year. The mutual funds are deemed to be actively traded.
- (ii) *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

**Fair Value Measurements as of
June 30, 2022 using the following inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Mutual Funds	6,645,121	-	-	6,645,121
Common stocks	<u>11,438,269</u>	<u>-</u>	<u>-</u>	<u>11,438,269</u>
Total financial assets	\$ <u>18,083,390</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>18,083,390</u>

**Fair Value Measurements as of
June 30, 2021 using the following inputs**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Mutual Funds	<u>405,902</u>	<u>-</u>	<u>-</u>	<u>405,902</u>
Total financial assets	\$ <u>405,902</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>405,902</u>

Investment securities have the following unrealized (depreciation) appreciation in fair value by investment type as follows:

June 30, 2022

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual Funds	\$ 6,577,138	\$ 6,645,121	\$ 67,983
Common stocks	<u>12,523,245</u>	<u>11,438,269</u>	<u>(1,084,976)</u>
	\$ <u>19,100,383</u>	\$ <u>18,083,390</u>	\$ <u>(1,016,993)</u>

June 30, 2021

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual Funds	\$ <u>163,119</u>	\$ <u>405,902</u>	\$ <u>242,783</u>
	\$ <u>163,119</u>	\$ <u>405,902</u>	\$ <u>242,783</u>

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

(5) Products held for distribution

Products held for distribution consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Donated food	\$ 61,912	\$ 872,342
USDA inventory	88,750	304,771
Purchased inventory	1,222,005	1,143,203
Program inventory	<u>465,583</u>	<u>422,984</u>
	<u>\$ 1,838,250</u>	<u>\$ 2,743,300</u>

(6) Line of credit

Second Harvest has a bank line of credit, secured by a building, property and products held for distribution, in the amount of \$1,000,000 with a variable rate of interest (4.75% at June 30, 2022). The line of credit expires December 7, 2029. There was no interest incurred for the years ended June 30, 2022 and June 30, 2021. There was no outstanding balance as of June 30, 2022 and 2021.

(7) Long-term debt

Long-term debt of \$409,301 as of June 30, 2021 was comprised of a Paycheck Protection Program Loan ("PPP loan") received from the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The terms of the unsecured loan required a monthly installment of \$23,033 beginning November 20, 2020, including interest at 1.00% and originally set to mature on April 20, 2022.

The payment installments originally scheduled to begin November 20, 2020 were deferred until the SBA made a determination on debt forgiveness. The PPP loan was forgiven by the SBA in its entirety in August 2021, and the gain on debt forgiveness was recognized during the year ended June 30, 2022.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

(8) Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Product distribution	\$ 616,245	\$ 1,600,097
Equipment	66,692	-
Other	<u>-</u>	<u>70,000</u>
	<u>\$ 682,937</u>	<u>\$ 1,670,097</u>

(9) Employee benefits

Second Harvest has a simplified employee pension plan that covers all full-time employees who earn at least \$5,000 during any preceding years and worked at least 1,000 hours. Employee contributions to the plan are matched 100% up to 3% of each eligible employee's compensation. Retirement contribution expense was \$59,969 and \$51,619 the years ended June 30, 2022 and 2021, respectively.

(10) Donated materials and services

Second Harvest receives contributions of food from individuals, private companies, government agencies, stores, restaurants, churches, and other food banks and not-for-profit organizations for distribution. Second Harvest received \$27,820,761 and \$29,314,683 during the years ended June 30, 2022 and 2021, respectively, in contributions of food and distributed \$30,333,822 and \$28,648,502 of food (including purchased food) during the years ended June 30, 2022 and 2021, respectively.

Second Harvest received in-kind donations valued at \$146,187 and \$226,618 during the years ended June 30, 2022 and 2021, respectively. The amounts are recorded in property and equipment, event revenue, contributions, and program services based on their intended use.

(11) Credit risk and other concentrations

The Organization generally maintains cash on deposit at a bank in excess of federally insured amounts. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

(12) Beneficial interest in assets held by others

An endowment held by the East Tennessee Foundation (the "Foundation") for the benefit of Second Harvest is administered by the Foundation.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Financial Statements

June 30, 2022 and 2021

Endowment income is distributed to Second Harvest based on a spending policy. Additional disbursements may be made with seventy-five percent vote of approval from Second Harvest's Board of Directors. Second Harvest has granted the Foundation variance power, which is defined as the power to modify any restriction or condition on the distribution of funds for the specified charitable purposes or to be a specified organization if, in the sole judgment of the Foundation's board, such restrictions or conditions become, in effect unnecessary, undesirable, impracticable, incapable of fulfillment, or inconsistent with the charitable needs of the community served. Assets held by the Foundation for the benefit of Second Harvest are recorded as beneficial interest in assets held by others in the accompanying statements of financial position.

(13) Subsequent event

In September 2022, the Organization was awarded a United States Department of Housing and Urban Development grant of approximately \$3,100,000 with a grant period of November 1, 2022 through October 31, 2023. The Organization was also awarded a Tennessee Department of Agriculture grant of approximately \$1,700,000 with a grant period of November 15, 2022 through August 15, 2024.

OTHER FINANCIAL INFORMATION

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2022

CFDA Number	Name of Program	Contracting Agency	Amount Expended	Products Balance July 1, 2021	OTHER INFORMATION				
					Balance July 1, 2021 Receivable	Contract Funds Received	Amount Earned (Adjusted)	Balance June 30, 2022 Receivable	Products Balance June 30, 2022
FEDERAL AWARDS									
10.568	Emergency Food Assistance Program - Administrative Costs	US Dept of Agriculture Pass through Tennessee Dept of Agriculture 79739	\$ -	\$ -	\$ 128,405	\$ 128,405	\$ -	\$ -	\$ -
10.568	Emergency Food Assistance Program - Administrative Costs	US Dept of Agriculture Pass through Tennessee Dept of Agriculture 84794	<u>462,167</u>	<u>-</u>	<u>-</u>	<u>288,843</u>	<u>462,167</u>	<u>173,324</u>	<u>-</u>
	Total CFDA 10.568		<u>462,167</u>	<u>-</u>	<u>128,405</u>	<u>417,248</u>	<u>462,167</u>	<u>173,324</u>	<u>-</u>
10.569	Emergency Food Assistance Program - Food Commodities	US Dept of Agriculture Pass through Tennessee Dept of Agriculture (noncash)	<u>4,658,717</u>	<u>304,771</u>	<u>-</u>	<u>4,443,300</u>	<u>4,659,321</u>	<u>-</u>	<u>88,750</u>
	Total CFDA 10.569 (noncash)		<u>4,658,717</u>	<u>304,771</u>	<u>-</u>	<u>4,443,300</u>	<u>4,659,321</u>	<u>-</u>	<u>88,750</u>
	Food distribution program cluster		<u>5,120,884</u>	<u>304,771</u>	<u>128,405</u>	<u>4,860,548</u>	<u>5,121,488</u>	<u>173,324</u>	<u>88,750</u>
	Total Federal Awards		<u>5,120,884</u>	<u>304,771</u>	<u>128,405</u>	<u>4,860,548</u>	<u>5,121,488</u>	<u>173,324</u>	<u>88,750</u>

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.
See accompanying independent auditors' report.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Schedule of Expenditures of Federal and State Awards, continued

Year ended June 30, 2022

<u>CFDA Number</u>	<u>Name of Program</u>	<u>Contracting Agency</u>	<u>Amount Expended</u>	<u>Products Balance July 1, 2021</u>	<u>OTHER INFORMATION</u>				
					<u>Balance July 1, 2021 Receivable</u>	<u>Contract Funds Received</u>	<u>Amount Earned (Adjusted)</u>	<u>Balance June 30, 2022 Receivable</u>	<u>Products Balance June 30, 2022</u>
STATE AWARDS									
N/A	Direct Appropriation Grant - Purchase of Food	Tennessee Department of Human Services	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
		Total State Awards	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
		Total Federal and State Awards	<u>\$ 5,320,884</u>	<u>\$ 304,771</u>	<u>\$ 128,405</u>	<u>\$ 5,060,548</u>	<u>\$ 5,321,488</u>	<u>\$ 173,324</u>	<u>\$ 88,750</u>

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.
See accompanying independent auditors' report.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Notes to the Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2022

(1) Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes award activity of Second Harvest Food Bank of East Tennessee under programs of the federal and state governments for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement 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, or cash flows of the Organization.

(2) Summary of significant accounting policies for federal expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance.

(3) Indirect cost rate

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

(4) Passed through to subrecipients

There were no awards passed through to subrecipients.

INDEPENDENT AUDITORS' 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*

The Board of Directors of
Second Harvest Food Bank of East Tennessee:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of East Tennessee (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2022.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

INDEPENDENT AUDITORS' 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* - Continued

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 determination of financial statement amounts. 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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LBMC, PC

Knoxville, Tennessee
December 22, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors of
Second Harvest Food Bank of East Tennessee:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Second Harvest Food Bank of East Tennessee's (the "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 the Organization's major federal program for the year ended June 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

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

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 requirement of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE - Continued**

Auditors' 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 generally accepted auditing standards, *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 one 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 the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE - Continued

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 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 *Auditors' 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.

LBMC, PC

Knoxville, Tennessee
December 22, 2022

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified?	_____ Yes	<u> X </u> None Reported	

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	_____ Yes	<u> X </u> No
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Identification of Major Programs:

<u>CFDA Number - 10.568 (portion of cluster)</u>	<u>Emergency Food Assistance Program - Administrative Costs</u>
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<u>CFDA Number - 10.569 (portion of cluster)</u>	<u>Emergency Food Assistance Program - Food Commodities</u>
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Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as low risk auditee	<u> X </u> Yes	_____ No
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SECTION II - FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECOND HARVEST FOOD BANK OF EAST TENNESSEE

Summary Schedule of Prior Audit Findings

June 30, 2022

There were no findings or questioned costs relative to federal and state awards reported in the financial statement audit of Second Harvest Food Bank of East Tennessee as of and for the year ended June 30, 2021.