

**SECOND HARVEST FOOD BANK  
OF EAST TENNESSEE**

**Financial Statements and Supplementary Information**

**June 30, 2024 and 2023**

**(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, 2024**

**Board of Directors**

<b>Jacob Ogle</b>	<b>President</b>
<b>Lori Hickok</b>	<b>Secretary/Treasurer</b>
<b>Patrick Birmingham</b>	<b>Vice President</b>
<b>Drew Everett</b>	<b>Member</b>
<b>David Keim</b>	<b>Member</b>
<b>David Reynolds</b>	<b>Member</b>
<b>Tim McLemore</b>	<b>Member</b>
<b>Dean John Ross</b>	<b>Member</b>
<b>Bob Haralson</b>	<b>Member</b>
<b>David Owens</b>	<b>Member</b>
<b>Benjamin Ridder</b>	<b>Member</b>
<b>Jennifer Oswalt</b>	<b>Member</b>

**Executive Staff**

<b>Elaine Streno</b>	<b>Chief Executive Officer</b>
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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### ***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, 2024 and 2023, and the related statements of activities and 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, 2024 and 2023, 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 opinions.

#### ***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 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 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 22 through 24, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Roster of Board of Directors and Executive Staff on page 1, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information and, accordingly, we do not express an opinion or provide any assurance on that information.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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.

*L B M C, P C*

Knoxville, Tennessee  
December 20, 2024

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Statements of Financial Position

June 30, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
<b>Current assets:</b>		
Cash	\$ 448,547	\$ 807,350
Accounts and other receivables	337,081	332,850
Grants receivable	545,915	777,968
Pledges receivable	59,935	-
Investments	21,153,153	20,055,672
Prepaid expenses	63,909	125,914
Products held for distribution	<u>2,237,510</u>	<u>1,740,245</u>
Total current assets	24,846,050	23,839,999
<b>Property and equipment, net:</b>		
Land	418,093	418,093
Building	4,484,769	4,422,849
Warehouse equipment	777,221	695,033
Automobiles and trucks	2,513,559	2,055,995
Cold storage equipment	2,083,606	2,082,257
Office furniture and equipment	<u>272,217</u>	<u>263,819</u>
	10,549,465	9,938,046
Accumulated depreciation	<u>4,006,349</u>	<u>3,585,860</u>
Property and equipment, net	6,543,116	6,352,186
<b>Beneficial interest in assets held by others</b>	3,949	3,949
<b>Deposits</b>	<u>-</u>	<u>1,570</u>
	<u>\$ 31,393,115</u>	<u>\$ 30,197,704</u>
	<u>Liabilities and Net Assets</u>	
<b>Current liabilities:</b>		
Trade accounts and other payables	\$ 580,483	\$ 623,478
Accrued compensation	<u>230,495</u>	<u>193,382</u>
Total current liabilities	810,978	816,860
<b>Line of credit</b>	<u>160,062</u>	<u>-</u>
Total liabilities	<u>971,040</u>	<u>816,860</u>
<b>Net assets:</b>		
Without donor restrictions	29,082,023	28,515,292
With donor restrictions	<u>1,340,052</u>	<u>865,552</u>
Total net assets	<u>30,422,075</u>	<u>29,380,844</u>
	<u>\$ 31,393,115</u>	<u>\$ 30,197,704</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, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Support and revenue:</b>			
Contributed product	\$ -	\$ 30,076,066	\$ 30,076,066
Other contributions	5,808,403	8,300	5,816,703
Government grants	2,950,444	340,864	3,291,308
United Way	441,322	-	441,322
Distribution fees	3,880,951	-	3,880,951
Nonfinancial donations	103,058	-	103,058
Event revenue, net of direct expenses of \$195,146	<u>2,331,824</u>	<u>-</u>	<u>2,331,824</u>
Total support and revenue	15,516,002	30,425,230	45,941,232
Net assets released from restrictions	<u>29,950,730</u>	<u>(29,950,730)</u>	<u>-</u>
Total revenue and other support	<u>45,466,732</u>	<u>474,500</u>	<u>45,941,232</u>
<b>Expenses:</b>			
Food distribution program	45,380,317	-	45,380,317
Fundraising	1,361,864	-	1,361,864
Management and general	<u>682,088</u>	<u>-</u>	<u>682,088</u>
Total expenses	<u>47,424,269</u>	<u>-</u>	<u>47,424,269</u>
<b>Other changes in net assets</b>			
Interest and dividend income	448,023	-	448,023
Investment income	2,082,730	-	2,082,730
Other income	2,139	-	2,139
Loss on disposal of equipment	<u>(8,624)</u>	<u>-</u>	<u>(8,624)</u>
Total other changes	<u>2,524,268</u>	<u>-</u>	<u>2,524,268</u>
Change in net assets	566,731	474,500	1,041,231
Net assets at beginning of year	<u>28,515,292</u>	<u>865,552</u>	<u>29,380,844</u>
Net assets at end of year	<u>\$ 29,082,023</u>	<u>\$ 1,340,052</u>	<u>\$ 30,422,075</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, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Support and revenue:</b>			
Contributed product	\$ -	\$ 25,388,843	\$ 25,388,843
Other contributions	6,239,809	123,849	6,363,658
Government grants	1,558,263	424,525	1,982,788
United Way	414,378	-	414,378
Distribution fees	3,690,168	-	3,690,168
Nonfinancial donations	219,206	-	219,206
Event revenue, net of direct expenses of \$216,267	<u>2,185,139</u>	<u>-</u>	<u>2,185,139</u>
Total support and revenue	14,306,963	25,937,217	40,244,180
Net assets released from restrictions	<u>25,754,602</u>	<u>(25,754,602)</u>	<u>-</u>
Total revenue, gains and other support	<u>40,061,565</u>	<u>182,615</u>	<u>40,244,180</u>
<b>Expenses:</b>			
Food distribution program	39,121,685	-	39,121,685
Fundraising	1,255,657	-	1,255,657
Management and general	<u>557,151</u>	<u>-</u>	<u>557,151</u>
Total expenses	<u>40,934,493</u>	<u>-</u>	<u>40,934,493</u>
<b>Other changes in net assets</b>			
Interest and dividend income	518,265	-	518,265
Investment income	1,476,193	-	1,476,193
Other income	1,681	-	1,681
Loss on disposal of equipment	<u>(741)</u>	<u>-</u>	<u>(741)</u>
Total other changes	<u>1,995,398</u>	<u>-</u>	<u>1,995,398</u>
Change in net assets	1,122,470	182,615	1,305,085
Net assets at beginning of year	<u>27,392,822</u>	<u>682,937</u>	<u>28,075,759</u>
Net assets at end of year	<u>\$ 28,515,292</u>	<u>\$ 865,552</u>	<u>\$ 29,380,844</u>

See accompanying notes to the financial statements.

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash provided by operating activities:</b>		
Change in net assets	\$ <u>1,041,231</u>	\$ <u>1,305,085</u>
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	477,526	420,899
Loss on disposal of equipment	8,624	741
Investment income	(2,082,730)	(1,476,193)
(Increase) decrease in:		
Accounts and other receivables	(4,231)	(126,743)
Pledges receivable	(59,935)	-
Grants receivable	232,053	(604,644)
Prepaid expenses	62,005	(76,287)
Product held for distribution	(497,265)	98,005
Deposits	1,570	-
Increase (decrease) in:		
Trade accounts and other payables	(42,995)	19,914
Accrued compensation	<u>37,113</u>	<u>86,930</u>
Total adjustments	<u>(1,868,265)</u>	<u>(1,657,378)</u>
Net cash used by operating activities	<u>(827,034)</u>	<u>(352,293)</u>
<b>Cash used by investing activities:</b>		
Purchases of property and equipment	(693,244)	(432,390)
Proceeds from disposal of equipment	16,164	-
Proceeds from sale of investments	1,400,000	2,470,787
Purchases of investments	<u>(414,751)</u>	<u>(2,966,876)</u>
Net cash provided (used) by investing activities	<u>308,169</u>	<u>(928,479)</u>
<b>Cash provided by financing activities:</b>		
Proceeds from line of credit	901,050	-
Payments on line of credit	<u>(740,988)</u>	<u>-</u>
Net cash provided by financing activities	<u>160,062</u>	<u>-</u>
Decrease cash and cash equivalents	(358,803)	(1,280,772)
Cash at beginning of year	<u>807,350</u>	<u>2,088,122</u>
Cash at end of year	\$ <u>448,547</u>	\$ <u>807,350</u>

See accompanying notes to the financial statements.

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Statement of Functional Expenses

Year ended June 30, 2024

	Food Distribution Program	Fundraising	Management and General	Totals
Product distribution	\$ 39,401,012	\$ -	\$ -	\$ 39,401,012
Salaries and wages	2,134,211	720,518	368,243	3,222,972
Payroll taxes	154,435	52,137	26,647	233,219
Health insurance	315,809	106,618	54,490	476,917
Retirement contributions	48,483	16,368	8,365	73,216
Other employee benefits	44,642	13,487	6,893	65,022
Depreciation	397,804	23,808	55,914	477,526
Printing and publications	3,835	121,411	539	125,785
Direct mail	-	152,778	-	152,778
Postage	7,499	382	1,054	8,935
Office supplies	32,886	1,968	4,622	39,476
Office equipment lease	18,725	679	1,593	20,997
Telephone	35,334	2,115	4,967	42,416
Utilities	79,259	4,744	11,140	95,143
Insurance	117,190	14,673	12,048	143,911
Fuel and vehicle registration	230,504	-	-	230,504
Repairs and maintenance	498,749	18,754	44,045	561,548
Conferences and travel	30,117	11,065	11,407	52,589
Dues and licenses	529,585	2,523	15,335	547,443
Professional services	74,937	25,299	12,930	113,166
Agency grants	85,727	-	-	85,727
Agency expenses	805,015	-	-	805,015
Warehouse and program expenses	305,999	-	-	305,999
Credit card processing fees	-	55,661	-	55,661
Other	705	15,209	41,856	57,770
Interest	27,855	1,667	-	29,522
	<u>\$ 45,380,317</u>	<u>\$ 1,361,864</u>	<u>\$ 682,088</u>	<u>\$ 47,424,269</u>

See accompanying notes to the financial statements.

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Statement of Functional Expenses

Year ended June 30, 2023

	Food Distribution Program	Fundraising	Management and General	Totals
Product distribution	\$ 34,379,294	\$ -	\$ -	\$ 34,379,294
Salaries and wages	1,983,485	657,838	290,381	2,931,704
Payroll taxes	140,053	46,450	20,504	207,007
Health insurance	264,281	87,650	38,691	390,622
Retirement contributions	45,071	14,949	6,598	66,618
Other employee benefits	42,526	11,414	5,038	58,978
Depreciation	350,630	20,985	49,284	420,899
Printing and publications	2,736	14,136	385	17,257
Direct mail	-	240,974	-	240,974
Postage	4,943	157	694	5,794
Office supplies	33,104	1,981	4,653	39,738
Office equipment lease	14,874	591	1,386	16,851
Telephone	34,581	2,070	4,861	41,512
Utilities	84,732	5,071	11,910	101,713
Insurance	112,048	13,720	11,203	136,971
Fuel and vehicle registration	263,792	-	-	263,792
Repairs and maintenance	474,036	17,998	42,267	534,301
Conferences and travel	28,394	11,571	11,235	51,200
Dues and licenses	13,089	3,287	16,360	32,736
Professional services	66,516	22,060	9,738	98,314
Agency grants	455,582	-	-	455,582
Agency expenses	55,360	-	-	55,360
Warehouse and program expenses	271,687	-	-	271,687
Credit card processing fees	-	57,577	-	57,577
Other	<u>871</u>	<u>25,178</u>	<u>31,963</u>	<u>58,012</u>
	<u>\$ 39,121,685</u>	<u>\$ 1,255,657</u>	<u>\$ 557,151</u>	<u>\$ 40,934,493</u>

See accompanying notes to the financial statements.

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

(1) Nature of activities

Second Harvest Food Bank of East Tennessee ("Second Harvest") or (the "Organization"), 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

The Financial Accounting Standards Board ("FASB") issued guidance, Accounting Standards Codification ("ASC") Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASC 326") which defines how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under ASC 326, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASC 326 are accounts and other receivables and grants receivable.

(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, 2024 and 2023

*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 credit losses on 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 for credit losses in the period of determination. There were no charge offs for the years ended June 30, 2024 or 2023.

Accounts receivable are deemed to be fully collectible by management, and no allowance for credit losses is considered necessary at June 30, 2024 or 2023.

(d) Pledges receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contributions. Conditional promises to give are not recorded as support until such time as the conditions are substantially met.

The Organization estimates an allowance for credit losses on pledges and other receivables, which may not be fully collectible, based on its knowledge of donors' individual credit circumstances, the historical loss experience and current economic conditions. Accounts determined to be uncollectible are charged off against the allowance for credit losses in the period of determination. Subsequent recoveries of previously charged off accounts are credited to the allowance for credit losses in the period received.

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

Outstanding pledges receivable as of June 30, 2024 are expected to be collected within one year, and thus have not been discounted. No allowance for uncollectible pledges is considered necessary at June 30, 2024.

(e) 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 statements of financial position. Investment income shown in the statements of activities and changes in net assets includes 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.

(f) 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 \$1.97 per pound for 2024 and \$1.93 per pound for 2023, 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 \$1.97 and \$1.93 using the price established by Feeding America for 2024 and 2023, respectively.

(g) 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 \$2,500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years.

(h) Contributions and support

Contributions are recorded as support when cash or other assets are received or an unconditional pledge is made. 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.

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

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 and changes in net assets 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.

Nonfinancial 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.

(i) 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, wages 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.

(j) 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, 2024 and 2023.



## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

As of June 30, 2024 and 2023, 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.

(k) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

(l) Long-lived assets

If certain triggering events occur as described in Note (4)(b), 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.

(m) Events occurring after reporting date

Second Harvest has evaluated events and transactions that occurred between June 30, 2024 and December 20, 2024 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, 2024 that require additional disclosure.

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

#### (3) Liquidity

A summary of the Organization's financial assets as of June 30, 2024 and 2023 available to meet cash needs for general expenditures within one year of the statement of financial position date is as follows:

	<u>2024</u>	<u>2023</u>
Cash	448,547	807,350
Accounts and other receivables	337,081	332,850
Grants receivable	545,915	777,968
Pledges receivable	59,935	-
Investments	21,153,153	20,055,672
Beneficial interest in assets held by others	<u>3,949</u>	<u>3,949</u>
Financial assets at end of year	22,548,580	21,977,789
Less assets unavailable for general expenditures within one year:		
Financial assets subject to donor restrictions	<u>(192,658)</u>	<u>(67,500)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,355,922</u>	<u>\$ 21,910,289</u>

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

#### (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, 2024 or 2023.

##### (a) Financial instruments

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

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Notes to the Financial Statements

June 30, 2024 and 2023

### (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, 2024 and 2023, 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, 2024 and 2023.

- (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.

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, 2024 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	\$ 7,367,593	\$ -	\$ -	\$ 7,367,593
Common stocks	<u>13,785,560</u>	<u>-</u>	<u>-</u>	<u>13,785,560</u>
Total financial assets	<u>\$ 21,153,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,153,153</u>

#### Fair Value Measurements as of June 30, 2023 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	\$ 6,276,491	\$ -	\$ -	\$ 6,276,491
Common stocks	<u>13,779,181</u>	<u>-</u>	<u>-</u>	<u>13,779,181</u>
Total financial assets	<u>\$ 20,055,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,055,672</u>

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Notes to the Financial Statements

June 30, 2024 and 2023

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

### June 30, 2024

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual Funds	\$ 7,402,366	\$ 7,367,593	\$ (34,773)
Common stocks	<u>11,332,236</u>	<u>13,785,560</u>	<u>2,453,324</u>
	<u>\$ 18,734,602</u>	<u>\$ 21,153,153</u>	<u>\$ 2,418,551</u>

### June 30, 2023

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Depreciation) Appreciation</u>
Mutual Funds	\$ 6,536,346	\$ 6,276,491	\$ (259,855)
Common stocks	<u>12,995,365</u>	<u>13,779,181</u>	<u>783,816</u>
	<u>\$ 19,531,711</u>	<u>\$ 20,055,672</u>	<u>\$ 523,961</u>

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 statements of financial position.

### (5) Products held for distribution

Products held for distribution consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Donated food	\$ 168,342	\$ 168,556
USDA inventory	415,017	169,247
Purchased inventory	1,090,116	942,193
Program inventory	<u>564,035</u>	<u>460,249</u>
	<u>\$ 2,237,510</u>	<u>\$ 1,740,245</u>

### (6) Line of credit

Second Harvest has a bank line of credit, secured by a building and land, in the amount of \$1,000,000 with a variable rate of interest (8.50% at June 30, 2024). The line of credit expires December 7, 2029. There was an outstanding balance of \$160,062 as of June 30, 2024. There was no outstanding balance on the line as of June 30, 2023.

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Notes to the Financial Statements

June 30, 2024 and 2023

(7) Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Product distribution	\$ 1,147,394	\$ 798,052
Food assistance	<u>192,658</u>	<u>67,500</u>
	<u>\$ 1,340,052</u>	<u>\$ 865,552</u>

(8) 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 \$73,216 and \$66,618, for the years ended June 30, 2024 and 2023, respectively.

(9) 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 \$30,076,066 and \$25,388,843 during the years ended June 30, 2024 and 2023, respectively, in contributions of food and distributed \$29,726,724 and \$25,207,036 of food (including purchased food) during the years ended June 30, 2024 and 2023, respectively.

Second Harvest received nonfinancial donations valued at \$103,058 and \$219,206 during the years ended June 30, 2024 and 2023, respectively. The amounts are recorded in property and equipment, event revenue, contributions, and program services based on their intended use.

(10) 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.

Approximately 22% and 16% of the Organization's contributed product was from USDA during the year ended June 30, 2024 and 2023, respectively.

(11) 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, 2024 and 2023

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.

(12) Subsequent event

On August 15, 2024, the Organization obtained a contract for an additional grant from USDA of approximately \$1,480,000 through December 31, 2026.

## **SUPPLEMENTARY INFORMATION**

# SECOND HARVEST FOOD BANK OF EAST TENNESSEE

## Schedule of Expenditures of Federal and State Awards

Year ended June 30, 2024

					OTHER INFORMATION				
<u>Federal Assistance Listing Number (ALN)</u>	<u>Name of Program</u>	<u>Contracting Agency</u>	<u>Amount Expended</u>	<u>Products Balance July 1, 2023</u>	<u>Balance July 1, 2023 Receivable</u>	<u>Contract Funds Received</u>	<u>Amount Earned (Adjusted)</u>	<u>Balance June 30, 2024 Receivable</u>	<u>Products Balance June 30, 2024</u>
FEDERAL AWARDS									
10.568	Emergency Food Assistance Program - Administrative Costs	US Dept of Agriculture Pass through Tennessee Dept of Agriculture 94757	\$ 340,864	\$ -	\$ -	\$ 74,565	\$ 340,864	\$ 266,299	\$ -
10.568	Emergency Food Assistance Program - Administrative Costs	US Dept of Agriculture Pass through Tennessee Dept of Agriculture 90034	-	-	140,395	140,395	-	-	-
		Total ALN 10.568	340,864	-	140,395	214,960	340,864	266,299	-
10.569	Emergency Food Assistance Program - Food Commodities	US Dept of Agriculture Pass through Tennessee Dept of Agriculture (noncash)	6,818,492	169,247	-	7,064,262	6,818,492	-	415,017
		Total ALN 10.569 (noncash)	6,818,492	169,247	-	7,064,262	6,818,492	-	415,017
		Total food distribution program cluster	7,159,356	169,247	140,395	7,279,222	7,159,356	266,299	415,017
10.182	Pandemic Relief Activities: Local Food Assistance Grant - Local Food Purchase Assistance	US Dept of Agriculture Pass through Tennessee Dept of Agriculture 76615	1,389,450	-	242,205	1,361,356	1,389,450	270,299	-
		Total US Dept of Agriculture	8,548,806	169,247	382,600	8,640,578	8,548,806	536,598	415,017
14.228	Community Development Block Grant - Food Bank Support/State's Program and Non-entitlement Grants in Hawaii	US Dept of Housing and Urban Development Pass through Tennessee Dept of Economic and Community Development 15222	1,360,994	-	395,368	1,747,045	1,360,994	9,317	-
		Total Federal Awards	9,909,800	169,247	777,968	10,387,623	9,909,800	545,915	415,017

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, 2024

			OTHER INFORMATION						
<u>Federal Assistance Listing Number (ALN)</u>	<u>Name of Program</u>	<u>Contracting Agency</u>	<u>Amount Expended</u>	<u>Products Balance July 1, 2023</u>	<u>Balance July 1, 2023 Receivable</u>	<u>Contract Funds Received</u>	<u>Amount Earned (Adjusted)</u>	<u>Balance June 30, 2024 Receivable</u>	<u>Products Balance June 30, 2024</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>\$ 10,109,800</u>	<u>\$ 169,247</u>	<u>\$ 777,968</u>	<u>\$ 10,587,623</u>	<u>\$ 10,109,800</u>	<u>\$ 545,915</u>	<u>\$ 415,017</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, 2024

(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 (the "Organization") under programs of the federal and state governments for the year ended June 30, 2024. 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 in 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  
Second Harvest Food Bank of East Tennessee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of East Tennessee (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 December 20, 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 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 or significant deficiencies may exist that were not 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 test 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 20, 2024



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each 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 each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal programs are 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 each of its major federal programs for the year ended June 30, 2024.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH 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 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH 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 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 *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.

*LBM, PC*

Knoxville, Tennessee  
December 20, 2024

## SECOND HARVEST FOOD BANK OF EAST TENNESSEE

### Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

#### SECTION I - SUMMARY OF AUDITORS' RESULTS

##### Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

##### Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance

\_\_\_\_\_ Yes      X   No

##### Identification of Major Programs:

Federal Assistance Listing Number - 10.568 (portion of cluster)

Emergency Food Assistance Program - Administrative Costs

Federal Assistance Listing Number - 10.569 (portion of cluster)

Emergency Food Assistance Program - Food Commodities

Federal Assistance Listing Number - 14.228

Community Development Block Grant - Food Bank Support

Federal Assistance Listing Number - 10.182

Pandemic Relief Activities: Local Food Assistance Grant

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

\$750,000

Auditee qualified as low risk auditee

  X   Yes    \_\_\_\_\_ No

#### 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**

**Year Ended June 30, 2024**

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, 2023.