

**SECOND HARVEST FOOD BANK  
OF ORANGE COUNTY, INC.**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT OF FEDERALLY ASSISTED  
GRANT PROGRAMS**

**YEARS ENDED JUNE 30, 2024 AND 2023**



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Second Harvest Food Bank of Orange County, Inc.  
Irvine, California

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

#### ***Opinion***

We have audited the accompanying financial statements of Second Harvest Food Bank of Orange County, Inc. (a nonprofit organization) (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.

#### ***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.

#### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in year ended June 30, 2024 the Organization adopted new accounting guidance for the measurement of credit losses on financial instruments. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of Second Harvest Food Bank of Orange County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Second Harvest Food Bank of Orange County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest Food Bank of Orange County, Inc.'s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
November 25, 2024

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND 2023**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,170,183	\$ 18,096,240
Receivables	639,691	771,343
Unconditional Promises to Give	215,000	116,000
Inventory	2,157,579	1,217,300
Prepaid Expenses and Deposits	139,410	216,649
Total Current Assets	7,321,863	20,417,532
<b>PROPERTY AND EQUIPMENT, AT NET BOOK VALUE</b>	14,995,248	14,091,360
<b>OTHER ASSETS</b>		
Investments	11,739,858	-
Endowment Long-Term Investments	2,114,882	232,118
Long-Term Unconditional Promises to Give, Net	203,000	217,450
Total Other Assets	14,057,740	449,568
Total Assets	\$ 36,374,851	\$ 34,958,460
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,071,214	\$ 857,025
Deferred Revenue and Deposits	327,179	314,005
Total Liabilities	1,398,393	1,171,030
<b>NET ASSETS</b>		
Without Donor Restrictions	26,676,368	27,441,146
With Donor Restrictions	8,300,090	6,346,284
Total Net Assets	34,976,458	33,787,430
Total Liabilities and Net Assets	\$ 36,374,851	\$ 34,958,460

See accompanying Notes to Financial Statements.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Support and Revenue:		
Community Support:		
Grants and Awards	\$ 1,514,358	\$ 2,612,421
Contributions	6,141,617	5,856,787
Nonfinancial Donated Food Products and Merchandise	68,596,015	68,160,885
Events and Solicitation Revenue	2,898,872	3,109,226
Nonfinancial Contributed Services	1,090,000	791,575
Total Community Support	80,240,862	80,530,894
Revenue:		
Contract Revenue	5,761,947	9,031,464
Fees	26,408	74,838
Investment Return	1,549,348	393,192
Other Income	26,396	33,471
Total Revenue	7,364,099	9,532,965
Net Assets Released from Restrictions	1,100,454	469,516
Total Support and Revenue	88,705,415	90,533,375
Expenses:		
Non-Financial Program Services	67,543,312	68,666,865
Program Services	15,633,622	15,707,511
Total Program Services	83,176,934	84,374,376
Supporting Services:		
Management and General	4,228,075	2,735,332
Fundraising	2,065,184	2,057,561
Total Supporting Services	6,293,259	4,792,893
Total Expenses	89,470,193	89,167,269
(Decrease) Increase in Net Assets Without Donor Restrictions	(764,778)	1,366,106
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Donor Restricted Support:		
Contributions Received	2,776,518	1,029,989
Funds Used for Restricted Purpose	(1,047,342)	(416,404)
Investment Income and Fees, Net	277,742	15,600
Depreciation Expense	(53,112)	(53,112)
Increase in Net Assets With Donor Restrictions	1,953,806	576,073
<b>NET INCREASE IN TOTAL NET ASSETS</b>	1,189,028	1,942,179
Total Net Assets - Beginning of Year	33,787,430	31,845,251
<b>TOTAL NET ASSETS - END OF YEAR</b>	\$ 34,976,458	\$ 33,787,430

See accompanying Notes to Financial Statements.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2024 AND 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Total Net Assets	\$ 1,189,028	\$ 1,942,179
Noncash Items Included in Increase (Decrease) in Total Net Assets:		
Depreciation	1,261,979	1,047,252
Donated Inventory, Net	(922,531)	396,756
Loss (Gain) on Sale of Assets	408	(14,182)
Realized and Unrealized Gain on Investments	(1,145,637)	(16,651)
Allowance for Uncollectible Promises to Give	4,450	17,296
Changes in:		
Receivables	131,652	(301,099)
Unconditional Promises to Give	(89,000)	(45,916)
Inventory	(17,748)	(37,062)
Prepaid Expenses and Deposits	77,239	396,637
Accounts Payable and Accrued Expenses	214,189	(123,069)
Deferred Revenue and Deposits	13,174	(113,415)
Net Cash and Cash Equivalents Provided by Operating Activities	717,203	3,148,726
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(17,937,022)	-
Proceeds from Sale of Investments	6,141,493	-
Purchase of Property and Equipment	(2,166,275)	(4,020,805)
Proceeds from Sale of Assets	-	68,601
Investment Proceeds, Net	(681,456)	11,528
Net Cash and Cash Equivalents Used by Investing Activities	(14,643,260)	(3,940,676)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(13,926,057)	(791,950)
Cash and Cash Equivalents - Beginning of Year	18,096,240	18,888,190
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,170,183	\$ 18,096,240
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Taxes	\$ -	\$ -

See accompanying Notes to Financial Statements.



**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2024**

	Program Services	Supporting Services			Total Functional Expenses
		Management and General	Fundraising	Total	
Salaries and Related Expense:					
Salaries and Wages	\$ 4,144,088	\$ 1,617,584	\$ 975,448	\$ 2,593,032	\$ 6,737,120
Benefits	349,532	136,438	82,283	218,721	568,253
Payroll Taxes and Workers' Compensation	390,010	152,238	91,812	244,050	634,060
Other Personnel Costs	62,459	24,380	14,703	39,083	101,542
Total Salaries and Related Expense	4,946,089	1,930,640	1,164,246	3,094,886	8,040,975
Other Expenses:					
Donated Food and Supplies, in Kind	67,543,312	-	131,985	131,985	67,675,297
Donated Professional Fees and Services, in Kind	-	1,000,000	90,000	1,090,000	1,090,000
Product Fees and Purchases	5,116,179	-	-	-	5,116,179
Freight and Storage	248,642	-	-	-	248,642
Program Costs	2,772,464	-	-	-	2,772,464
Vehicle Operation	446,393	-	-	-	446,393
Professional Fees and Services	20,385	367,891	217,214	585,105	605,490
General Supplies	66,554	14,465	1,878	16,343	82,897
Postage and Printing	-	22,285	1,975	24,260	24,260
Telephone	-	66,985	-	66,985	66,985
Occupancy	358,318	26,444	2,986	29,430	387,748
Repairs and Maintenance	153,731	-	-	-	153,731
Insurance	235,621	17,389	1,963	19,352	254,973
Direct Mailing Costs	-	-	59,759	59,759	59,759
Community Events	-	-	364,980	364,980	364,980
Bank Fees	-	101,239	-	101,239	101,239
Dues and Subscriptions	60,372	100,800	130	100,930	161,302
Mileage	13,365	7,810	203	8,013	21,378
Advertising and Promotion	10,041	437,076	5,777	442,853	452,894
Conference and Meeting	19,273	48,984	12,371	61,355	80,628
Total Other Expenses	77,064,650	2,211,368	891,221	3,102,589	80,167,239
Expenses Before Depreciation	82,010,739	4,142,008	2,055,467	6,197,475	88,208,214
Depreciation	1,166,195	86,067	9,717	95,784	1,261,979
Total Functional Expenses	\$ 83,176,934	\$ 4,228,075	\$ 2,065,184	\$ 6,293,259	\$ 89,470,193

See accompanying Notes to Financial Statements.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services			Total Functional Expenses
		Management and General	Fundraising	Total	
Salaries and Related Expense:					
Salaries and Wages	\$ 3,417,537	\$ 1,184,546	\$ 643,656	\$ 1,828,202	\$ 5,245,739
Benefits	327,884	116,020	60,532	176,552	504,436
Payroll Taxes and Workers' Compensation	352,720	124,809	65,117	189,926	542,646
Other Personnel Costs	116,885	41,359	21,579	62,938	179,823
Total Salaries and Related Expense	4,215,026	1,466,734	790,884	2,257,618	6,472,644
Other Expenses:					
Donated Food and Supplies, in Kind	68,546,865	-	-	-	68,546,865
Donated Professional Fees and Services, in Kind	120,000	11,050	671,300	682,350	802,350
Product Fees and Purchases	6,447,900	-	-	-	6,447,900
Freight and Storage	176,802	-	-	-	176,802
Program Costs	2,602,016	-	10,285	10,285	2,612,301
Vehicle Operation	429,227	-	-	-	429,227
Professional Fees and Services	9,016	444,181	102,883	547,064	556,080
General Supplies	42,421	11,952	1,241	13,193	55,614
Postage and Printing	-	23,477	1,592	25,069	25,069
Telephone	-	49,579	-	49,579	49,579
Occupancy	347,937	25,678	2,899	28,577	376,514
Repairs and Maintenance	182,576	-	-	-	182,576
Insurance	195,509	14,429	1,629	16,058	211,567
Direct Mailing Costs	-	-	58,087	58,087	58,087
Community Events	-	-	351,004	351,004	351,004
Bank Fees	-	93,773	-	93,773	93,773
Dues and Subscriptions	55,786	103,926	36,939	140,865	196,651
Mileage	10,100	7,126	85	7,211	17,311
Advertising and Promotion	7,341	375,920	8,933	384,853	392,194
Conference and Meeting	18,088	36,085	11,736	47,821	65,909
Total Other Expenses	79,191,584	1,197,176	1,258,613	2,455,789	81,647,373
Expenses Before Depreciation	83,406,610	2,663,910	2,049,497	4,713,407	88,120,017
Depreciation	967,766	71,422	8,064	79,486	1,047,252
Total Functional Expenses	\$ 84,374,376	\$ 2,735,332	\$ 2,057,561	\$ 4,792,893	\$ 89,167,269

See accompanying Notes to Financial Statements.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Second Harvest Food Bank of Orange County, Inc. (the Organization or Second Harvest) is a nonprofit organization that provides hunger relief services throughout the local community. The Organization acts as a clearinghouse through which food processors, wholesalers, retailers, and government agencies donate food items that are distributed via qualified charitable agencies to assist those in need.

**Basis of Presentation**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). References to the ASC hereafter refer to the Accounting Standards Codification established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

In accordance with U.S. GAAP, the accounts of the Organization are reported in the following net asset categories:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions, including the carrying value of all unrestricted physical properties (land, building, and equipment). Items that affect (i.e., increase or decrease) this net asset category include revenue and contributions related to expenses associated with core programs.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions are net assets subject to donor-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 but permit an organization to use or expend part or all the income derived from the contribution. 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).

The Organization records gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 with donor-imposed restrictions that are received and spent in the same year have been recorded as net assets without donor restrictions in the accompanying statements of activities and changes in net assets.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash. Amounts included in restricted cash represent those amounts required to be set aside by grant agreements with donors for use during a specific time period.

Included in the cash and cash equivalents at June 30, 2024 and 2023, is approximately \$2,700,000 and \$16,200,000, respectively, of U.S. Treasury Bills and BlackRock Fed Funds.

**Unconditional Promises to Give**

Unconditional promises to give are recognized when the donor makes a promise to give. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. At June 30, 2024 and 2023, unconditional promises to give due within a year totaled \$215,000 and \$116,000, respectively. Those due in subsequent years are reflected as long-term unconditional promises to give. At June 30, 2024 and 2023, total long-term unconditional promises to give totaled \$203,000 and \$217,450, respectively. Management has provided a reserve for uncollectible promises to give that totaled \$22,000 and \$17,550 at June 30, 2024 and 2023, respectively, that are applied to the long-term amounts.

**Contributions**

In accordance with FASB ASC 958-605, *Revenue Recognition*, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a 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.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributions (Continued)**

A majority of the Organization's grants and contracts support are from federal pass-through funds from the United States Department of Agriculture, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

Other support is from agency fees and contributions from community individuals and businesses. The Organization recognizes contributions when cash or other assets are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. There are no conditional promises to give at June 30, 2024 and 2023. Conditional contributions received are recognized as deferred revenue until the conditions are met.

**Exchange Transactions**

The Organization recognizes revenue from contracts with customers in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 establishes new revenue recognition guidance (ASC 606), which replaces the current revenue recognition guidance and applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records exchange transaction revenue in its statements of activities and changes in net assets for the years ended June 30, 2024 and 2023, as stated below.

**Event and Solicitation Revenue:** The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component) and a portion represents a contribution to the Organization. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit.

The performance obligation is holding the event, which is usually accompanied by a presentation. The event fees are set by the Organization. ASC 606 requires allocation of the transaction price to the performance obligation. The exchange portion of the event and solicitation revenue included in the statements of activities and changes in net assets for the years ended June 30, 2024 and 2023 is \$55,650 and \$53,250, respectively. Special event fees collected by the Organization in advance of the events are initially recognized as liabilities (deferred income) and are recognized as special event revenue after the event.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Exchange Transactions (Continued)**

Fees: The performance obligation is the hosting of a fashion show and luncheon fundraising event. The transaction price is established by the Organization. Fees include the value of admission to the event and refreshments. As is customary, these items are not separately priced and are therefore considered to be one performance obligation.

**Receivables and Allowance for Credit Losses**

The Organization has adopted the current expected credit losses (CECL) methodology for estimating credit losses on financial assets, effective July 1, 2023, utilizing the modified retrospective transition method. The adoption of CECL resulted in changes to the Organization's accounting policies, including the recognition of credit losses based on expected future credit losses rather than incurred credit losses. The Organization also updated its accounting policies for determining the recoverability of trade receivables, loans, and other financial assets. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. At July 1, 2022, receivables totaled \$470,244.

Receivables are recorded at net realizable value which includes an estimate of the allowance for credit losses. The allowance for credit losses is based on historical experience, current and future economic conditions, and other relevant factors. Under the CECL accounting standard, we have evaluated our accounting policies related to the direct write off method and have determined that it is currently appropriate for us to continue using this method for short term receivables with insignificant credit risk. As of June 30, 2024 and 2023, the Organization did not have any allowance for credit losses.

**Inventory**

Donations of food products to the Organization are recorded at fair value. The fair value of donated food and commodities is based on management's estimates and the use of the Product Valuation Survey prepared by Feeding America, a third-party network for food banks (formerly America's Second Harvest). The costs associated with distributing food to the community are recorded as donated food and supplies, in kind in the accompanying statements of functional expenses. Donated property is recorded at fair value when there is an objective basis available to measure its value.

As of June 30, 2024, donated food inventory is valued at an average fair value of \$1.80 per gross pound in the statement of financial position, which totaled \$2,010,329. As of June 30, 2023, donated food inventory was valued at an average fair value of \$1.63 per gross pound on the statement of financial position, which totaled \$1,087,798.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Land, building, furniture, fixtures, and equipment are stated at cost, less accumulated depreciation if purchased or estimated fair value if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 39 years. For the years ended June 30, 2024 and 2023, depreciation expense totaled \$1,261,979 and \$1,047,252, respectively.

**Long-Lived Assets and Asset Impairment**

The Organization accounts for impairment and disposition of long-lived assets in accordance with FASB ASC 360-10, *Property, Plant, and Equipment*. FASB ASC 360-10 requires impairment losses to be recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted future cash flows are not sufficient to recover the assets' carrying amounts. There was no impairment of the value of such assets for the years ended June 30, 2024 and 2023.

**Deferred Revenue and Deposits**

As of June 30, 2024 and 2023, deferred revenue and deposits consist principally of amounts received from participants in advance for fundraising events occurring subsequent to year-end. At June 30, 2024 and 2023, deferred revenue and deposits totaled \$327,179 and \$314,005, respectively. At July 1, 2022, the balance of deferred revenue and deposits totaled \$427,420.

**Advertising and Promotion Costs**

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion costs charged to operations for the years ended June 30, 2024 and 2023, totaled \$452,894 and \$392,194, respectively.

**Contributed Services**

Contributed services are recognized as contributions in accordance with FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Such items are capitalized or charged to operations at fair value as appropriate. The fair value of these services at the time of donation was determined to be \$1,090,000 and \$791,575 for the years ended June 30, 2024 and 2023, respectively. Many volunteers provide services throughout the year that are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605 were not met.

The value of such volunteer time was estimated using minimum wage rates and determined to be the following for the year ended June 30, 2024 (unaudited):

Number of Volunteers	Number of Hours	Value
14,334	65,493	\$ 1,031,176

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Services (Continued)**

The value of such volunteer time was estimated using the minimum wage rates and determined to be the following for the year ended June 30, 2023 (unaudited):

Number of Volunteers	Number of Hours	Value
18,204	70,353	\$ 1,072,876

All contributed services are unrestricted, and the Organization does not sell any donated services or product, and only distributes goods for program use.

The valuation of donated food is previously described in the Inventory portion of this footnote. All other donated services and product is valued using estimated prices of identical or similar products and services in the local market using pricing data of similar products under a “like-kind” methodology, considering the goods condition and utility for use at the time of the contribution.

**Donated Food Products, Merchandise, and Services**

For the years ended June 30, donated food products, merchandise, and services revenue recognized within the statements of activities and changes in net assets included:

	2024	2023
Food	\$ 68,374,167	\$ 67,838,687
Professional Fees	1,090,000	791,575
Operating Supplies	213,598	301,923
Facility Improvements	8,250	20,275
Total Contributed Nonfinancial Assets Revenue	\$ 69,686,015	\$ 68,952,460

**Income Taxes**

The Organization is recognized as tax exempt under Section 501(c)(3) of the Internal Revenue Code and the corresponding state code and is classified as an organization other than private foundation. Accordingly, there is no provision for income taxes in the accompanying financial statements.

The Organization accounts for the provisions of FASB ASC 740-10-25, whereby an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not that the position will be sustained. The Organization does not believe that there are any material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits or any related interest or penalties. The Organization’s 2021-2023 tax returns are open for federal income tax purposes, and its 2020-2023 tax returns are open to review for state income tax purposes.



**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Expenses are allocated in the following ways: labor expenses, including salaries, payroll taxes, workers' compensation, employee benefits, travel, and staff training, are allocated based on the percentage of time that each employee spends working on projects specific to the program or supporting function; and nonlabor direct expenses are allocated based on each program's direct expenses. Occupancy, insurance, and depreciation expenses are allocated based on the square footage of the building dedicated to each of the functional areas.

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

The Organization's investments held by the Orange County Community Foundation include common stocks, bonds, mutual funds, alternative investments, and cash equivalents. The investments are valued at net asset value which is the valuation method used to determine fair value. Cash equivalents at June 30, 2024 and 2023, of approximately \$2,650,000 and \$16,200,000, respectively, held at US Bank and Whittier Trust primarily consist of U.S. Treasury bills and BlackRock Fed Funds.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gains and/or losses are reported the day after the trade date.

Net realized and unrealized activity is recorded in the accompanying statements of activities and changes in net assets. Brokerage fees are added to the acquisition costs of assets purchased and subtracted from the proceeds of assets sold.

Investment return, net consists of the following for the year ended June 30, 2024:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Dividends and Interest	\$ 60,759	\$ 702,344	\$ 763,103
Realized and Unrealized Gain	231,547	914,090	1,145,637
Investment Expenses	(14,564)	(67,086)	(81,650)
	<u>\$ 277,742</u>	<u>\$ 1,549,348</u>	<u>\$ 1,827,090</u>

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Valuation and Income Recognition (Continued)**

Investment return, net consists of the following for the year ended June 30, 2023:

	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Dividends and Interest	\$ 1,315	\$ 393,192	\$ 394,507
Realized and Unrealized Gain	16,651	-	16,651
Investment Expenses	(2,366)	-	(2,366)
	<u>\$ 15,600</u>	<u>\$ 393,192</u>	<u>\$ 408,792</u>

**NOTE 2 LIQUIDITY**

The Organization's financial assets available for general expenditure (that is, without donor or other restrictions limiting their use), within one year of the statement of financial position date, are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 4,170,183	\$ 18,096,240
Receivables	639,691	771,343
Unconditional Promises to Give	115,000	116,000
Total Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,924,874</u>	<u>\$ 18,983,583</u>

The current portion of unconditional promises to give on the statement of financial position includes \$100,000 that are donor restricted which have been excluded from the amount shown above.

**NOTE 3 CONCENTRATIONS, RISKS, AND UNCERTAINTIES**

The Organization maintains cash balances at multiple financial institutions. At June 30, 2024 and 2023, accounts at these institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. Throughout the course of the years ended June 30, 2024 and 2023, the Organization may have cash balances in excess of federally insured limits. Additionally, the Organization holds investments that at times during the year may exceed insured limits of Securities Investor Protection Corporation.

The Second Harvest endowment fund investments maintained by the Orange County Community Foundation (see Note 8) are not insured. The uninsured balance was \$247,053 and \$232,118 as of June 30, 2024 and 2023, respectively.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 4 INVENTORY**

Inventory consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Donated Food	\$ 2,010,329	\$ 1,087,798
Purchased Commodities	147,250	129,502
Total Inventory	<u>\$ 2,157,579</u>	<u>\$ 1,217,300</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,400,000	\$ 2,400,000
Building	11,820,089	10,613,812
Vehicles	4,867,616	4,164,194
Furniture and Equipment	4,509,003	4,407,897
Construction in Progress	838,772	1,011,700
Total Property and Equipment, at Cost	<u>24,435,480</u>	<u>22,597,603</u>
Less: Accumulated Depreciation	<u>(9,440,232)</u>	<u>(8,506,243)</u>
Property and Equipment, at Net Book Value	<u>\$ 14,995,248</u>	<u>\$ 14,091,360</u>

**NOTE 6 NET ASSETS**

Net assets consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Net Assets Without Donor Restrictions:		
Investment in Property and Equipment, Net of Donated Land and Building	\$ 11,214,534	\$ 10,257,540
Available for Operations	15,461,834	17,183,606
Total Net Assets Without Donor Restrictions	<u>26,676,368</u>	<u>27,441,146</u>
Net Assets With Donor Restrictions:		
Subject to Expenditures for Specific Purposes:	2,204,494	974,989
Subject to Passage of Time:		
Unconditional Promises to Give	200,000	-
Building, Net of Depreciation	1,380,714	1,433,820
Land	2,400,000	2,400,000
Total Time Restrictions	<u>3,980,714</u>	<u>3,833,820</u>
Subject to Endowment Spending Policy and Appropriations:	2,114,882	1,537,475
Total Net Assets With Donor Restrictions	<u>8,300,090</u>	<u>6,346,284</u>
Total Net Assets	<u>\$ 34,976,458</u>	<u>\$ 33,787,430</u>

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 7 ALLOCATION OF JOINT COSTS**

For the years ended June 30, 2024 and 2023, the Organization conducted activities that included appeals for contributions and incurred joint costs of \$424,739 and \$409,091, respectively. These activities include direct mail costs of \$59,759 and fundraising campaigns and special event costs totaling \$364,980 for the year ended June 30, 2024. For the year ended June 30, 2023, these activities included direct mail costs of \$58,087 and fundraising campaigns and special event costs totaling \$351,004. The Organization elected to report these costs as fundraising expenses.

**NOTE 8 ENDOWMENT FUND**

As required by U.S. GAAP, net assets associated with endowment funds, including unrestricted investment funds designated by the board of directors to be included in the endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

In 2008, the state of California enacted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, Second Harvest is required to act prudently when making decisions to spend or accumulate donor-restricted endowment assets, and, in doing so, to consider a number of factors, including the duration and preservation of its donor-restricted endowment funds. As a result of this interpretation, Second Harvest classifies as donor-restricted endowment funds the original value of the gifts with donor-imposed restrictions and maintains that such funds be retained as a permanent endowment

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by Second Harvest in a manner consistent with the standard of prudence prescribed by UPMIFA.

Second Harvest has outsourced the management of the Kids Café fund to the Orange County Community Foundation (OCCF). The oversight of the investment portfolio is the responsibility of the OCCF Investment Committee whose members are appointed by and serve the OCCF Board of Directors, which shall administer the investment portfolio in compliance with all written policies approved by the OCCF Board of Directors. Annual distributions are subject to the policies of the OCCF, which limit them to a maximum of 4.5% of the rolling average of the total account balance over the prior 12 months. The OCCF Investment Committee has contracted with an independent trust foundation for the purpose of managing the investment and reinvestment of fund assets in a manner consistent with the overall investment policy as approved by the OCCF Board of Directors. Second Harvest's primary investment mission is to preserve principal and to provide income to help sustain the Kid's Café program in future years.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 8 ENDOWMENT FUND (CONTINUED)**

During the year ended June 30, 2022, the Organization started an endowment campaign. The primary objective of the endowment is to secure long-term sustainability in serving the Organization's mission of providing access to nutritious food for the community. Maintaining the mission of the Organization would include using the funds to enhance operations, infrastructure, and programs and provide an accessible fund for emergency operations, if needed. Earnings from the endowment are primarily designated toward funding Senior and Children's programs, Farm Programs, and Operating and Infrastructural expenses.

The following is the endowment net asset composition as of June 30, 2024:

	With Donor Restrictions
Long-Term Investments	<u>\$ 2,114,882</u>

The following is the endowment net asset composition as of June 30, 2023:

	With Donor Restrictions
Cash Equivalents	\$ 1,305,357
Long-Term Investments	232,118
	<u>\$ 1,537,475</u>

The following are the changes in the endowment net assets for the year ended June 30:

	2024	2023
Endowment Net Assets - Beginning of Year	\$ 1,537,475	\$ 1,476,995
Investment Return:		
Investment Income, Net	277,742	15,600
Contributions	310,000	55,000
Distributions	(10,335)	(10,120)
Endowment Net Assets - End of Year	<u>\$ 2,114,882</u>	<u>\$ 1,537,475</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 and 2023. The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) and applicable state trust law to permit spending from underwater endowments in accordance with prudent measures required under law.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions consist of the following for the years ended June 30:

	2024	2023
Satisfaction of Time Restriction	\$ 53,112	\$ 53,112
Satisfaction of Purpose Restriction	1,047,342	416,404
Total Net Assets Released from Restrictions	\$ 1,100,454	\$ 469,516

**NOTE 10 FAIR VALUE MEASUREMENTS**

Second Harvest has adopted FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820-10 defines fair value, establishes a framework for measuring fair value, and requires enhanced disclosures about fair value measurement.

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs in the valuation of an asset as of the measurement date. The three levels are defined as follows:

*Level 1* – Quoted market prices in active markets for identical assets or liabilities.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measurement considered from the perspective of a market participant rather than an entity-specific measurement. Therefore, even when market assumptions are not readily available, Second Harvest’s own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. A description of the valuation methodologies used for assets measured at fair value is disclosed in Note 1 (Investment Valuation and Income Recognition). There have been no changes in the methodologies used during the years ended June 30, 2024 and 2023.

The methods described in Note 1 (Investment Valuation and Income Recognition) may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2024 AND 2023**

**NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table sets forth by level, withing the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	\$ 8,347,994	\$ 8,347,994	\$ -	\$ -
Equities	5,259,694	5,259,694	-	-
Endowment Assets Held by Community Foundation	247,052	-	-	247,052
Total	<u>\$ 13,854,740</u>	<u>\$ 13,607,688</u>	<u>\$ -</u>	<u>\$ 247,052</u>

The following table sets forth by level, withing the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Assets Held by Community Foundation	<u>\$ 232,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,118</u>

Realized and unrealized gains (losses) included in earnings are reported in the statements of activities and changes in net assets. The principal valuation technique for the Endowment Assets Held by Community Foundation valuation technique is net asset value and the unobservable inputs are the value of underlying assets.

**NOTE 11 SUBSEQUENT EVENTS**

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of November 25, 2024, which is the date the financial statements were available to be issued.

**SECOND HARVEST FOOD BANK  
OF ORANGE COUNTY, INC.**

**SINGLE AUDIT OF FEDERALLY ASSISTED  
GRANT PROGRAMS**

**YEAR ENDED JUNE 30, 2024**





**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***

Board of Directors  
Second Harvest Food Bank of Orange County, Inc.  
Irvine, California

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 Orange County, Inc. (the 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 November 25, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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.

Board of Directors  
Second Harvest Food Bank of Orange County, Inc.

### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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



**CliftonLarsonAllen LLP**

Irvine, California  
November 25, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Second Harvest Food Bank of Orange County, Inc.  
Irvine, California

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

**Opinion on Each Major Federal Program**

We have audited Second Harvest Food Bank of Orange County, Inc.'s (the Organization) 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 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.

### ***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.

### **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.

Board of Directors  
Second Harvest Food Bank of Orange County, Inc.

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.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Organization Second Harvest Food Bank of Orange County, Inc. as of and for the year ended June 30, 2024, and have issued our report thereon dated November 25, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Irvine, California  
November 25, 2024

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Federal Expenditures	Subrecipient Expenditures
United States Department of Agriculture:				
Passed through the California Department of Social Services				
Food Distribution Cluster:				
Emergency Food Assistance Program (Administrative Costs)	10.568	15-MOU-00131	\$ 405,730	\$ -
Emergency Food Assistance Program (Food Commodities)	10.569	15-MOU-00131	4,715,316	-
Total Food Distribution Cluster			5,121,046	-
Commodity Credit Corporation	10.187		118,051	-
Passed through the California Department of Education				
Child Nutrition Fiscal Services:				
Summer Food Service Program for Children	10.559	05660-SFSP-30	207,335	-
Child and Adult Care Food Program	10.558	05660-CACFP-30-NP-S0IC	1,112,509	-
Passed through National Resources Conservation Service:				
Urban Agriculture and Innovative Product	10.935	NR213A750001G016	18,150	-
Total United States Department of Agriculture			6,577,091	-
United States Department of the Treasury				
Passed through the County of Orange Social Services Agency:				
Coronavirus Relief Fund - COVID-19	21.027		15,079	-
Total United States Department of the Treasury			15,079	-
United States Department of Homeland Security:				
Passed through the Emergency Food and Shelter National Board:				
Emergency Food and Shelter Program	97.024	40-0786-00-058	194,079	-
Total United States Department of Homeland Security			194,079	-
Total Federal Expenditures			<u>\$ 6,786,249</u>	<u>\$ -</u>

There were no subrecipient expenditures for the year ended June 30, 2024.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2024**

**NOTE 1 GENERAL**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Second Harvest Food Bank of Orange County, Inc. (the Organization). The information in the Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the 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.

**NOTE 2 BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 INDIRECT COST RATE**

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

**NOTE 4 CONTINGENCIES**

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2024**

**1. 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 that are required to be reported in accordance with the 2 CFR Section 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568 and 10.569	Food Distribution Cluster

Dollar threshold used for distinguishing between Type A and B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no



**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
JUNE 30, 2024**

**2. Findings Relating to Financial Statements**

None noted.

**3. Findings and Questioned Costs Relating to Major Federal Awards**

None noted.

**SECOND HARVEST FOOD BANK OF ORANGE COUNTY, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

**Financial Statement Findings**

There were no findings or questioned costs for the year ended June 30, 2023.

**Major Federal Awards Findings**

There were no findings or questioned costs for the year ended June 30, 2023.



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