

Second Harvest of Silicon Valley

Financial Statements
and Single Audit Reports and Schedules

June 30, 2025
(With Comparative Totals for 2024)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Second Harvest of Silicon Valley

Opinion

We have audited the accompanying financial statements of Second Harvest of Silicon Valley ("Second Harvest"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 Second Harvest of Silicon Valley as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Second Harvest of Silicon Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest of Silicon Valley's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest of Silicon Valley's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest of Silicon Valley'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* (CFR) 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 auditing standards generally accepted in the United States of America. In our opinion, the information 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 December 12, 2025, on our consideration of Second Harvest'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 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'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's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Second Harvest of Silicon Valley's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

San Jose, California

December 12, 2025

Second Harvest of Silicon Valley
Statement of Financial Position
June 30, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 23,859,233	\$ 61,056,045	\$ 84,915,278	\$ 40,728,120
Accounts receivable	11,183	-	11,183	5,372
Grants receivable	316,105	43,797	359,902	878,548
Pledges receivable, current portion	475,000	10,502,640	10,977,640	8,355,993
Inventory	3,835,202	-	3,835,202	4,456,525
Prepaid expenses and other assets	909,996	-	909,996	1,104,003
Total current assets	<u>29,406,719</u>	<u>71,602,482</u>	<u>101,009,201</u>	<u>55,528,561</u>
Non current assets				
Land, buildings, and equipment, net	41,886,015	49,207,354	91,093,369	72,713,544
Pledges receivable, net of current portion and discount	-	7,400,375	7,400,375	13,639,893
Investments	95,500,458	-	95,500,458	90,533,109
Investments - Board Designated Endowment	25,770,563	-	25,770,563	20,296,065
Operating lease right-of-use asset	-	-	-	190,777
Total non current assets	<u>163,157,036</u>	<u>56,607,729</u>	<u>219,764,765</u>	<u>197,373,388</u>
Total assets	<u><u>\$ 192,563,755</u></u>	<u><u>\$ 128,210,211</u></u>	<u><u>\$ 320,773,966</u></u>	<u><u>\$ 252,901,949</u></u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Liquidity Access Line	\$ 14,000,000	\$ -	\$ 14,000,000	\$ -
Accounts payable	5,458,315	-	5,458,315	4,190,869
Accrued expenses	4,327,785	-	4,327,785	4,178,889
Operating lease liability	-	-	-	194,250
Total current liabilities	<u>23,786,100</u>	<u>-</u>	<u>23,786,100</u>	<u>8,564,008</u>
Net assets				
Without donor restrictions				
Undesignated	2,500,000	-	2,500,000	500,000
Board designated	138,361,784	-	138,361,784	121,179,424
Land, buildings, and equipment, net	27,915,871	-	27,915,871	31,154,110
Total without donor restrictions	<u>168,777,655</u>	<u>-</u>	<u>168,777,655</u>	<u>152,833,534</u>
With donor restrictions				
Restricted for Capital Campaign	-	122,206,736	122,206,736	84,075,606
Restricted for a specific purpose	-	12,137	12,137	479,741
Restricted to a passage of time	-	5,991,338	5,991,338	6,949,060
Total with donor restrictions	<u>-</u>	<u>128,210,211</u>	<u>128,210,211</u>	<u>91,504,407</u>
Total net assets	<u>168,777,655</u>	<u>128,210,211</u>	<u>296,987,866</u>	<u>244,337,941</u>
Total liabilities and net assets	<u><u>\$ 192,563,755</u></u>	<u><u>\$ 128,210,211</u></u>	<u><u>\$ 320,773,966</u></u>	<u><u>\$ 252,901,949</u></u>

The accompanying notes are an integral part of these financial statements.

Second Harvest of Silicon Valley
Statement of Activities
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support and revenue				
Contributions in-kind - non-government	\$163,560,962	\$ -	\$163,560,962	\$184,663,176
Contributions	74,100,632	39,725,855	113,826,487	93,559,211
Government assistance - in-kind	17,610,485	-	17,610,485	18,687,650
Net investment income	14,490,723	-	14,490,723	12,620,182
Government assistance - cash	4,890,834	43,797	4,934,631	8,581,794
Miscellaneous income	69,339	-	69,339	81,681
Loss on sale and disposal of equipment	(630,850)	-	(630,850)	(348,616)
Net assets released from restriction	3,063,848	(3,063,848)	-	-
Total support and revenue	<u>277,155,973</u>	<u>36,705,804</u>	<u>313,861,777</u>	<u>317,845,078</u>
Functional expenses				
Program services	246,558,583	-	246,558,583	279,419,472
Support services				
Management and general	7,556,914	-	7,556,914	7,604,270
Fundraising	7,096,355	-	7,096,355	7,208,671
Total support services	<u>14,653,269</u>	<u>-</u>	<u>14,653,269</u>	<u>14,812,941</u>
Total functional expenses	<u>261,211,852</u>	<u>-</u>	<u>261,211,852</u>	<u>294,232,413</u>
Change in net assets (Note 2)	15,944,121	36,705,804	52,649,925	23,612,665
Net assets, beginning of year	<u>152,833,534</u>	<u>91,504,407</u>	<u>244,337,941</u>	<u>220,725,276</u>
Net assets, end of year	<u>\$168,777,655</u>	<u>\$128,210,211</u>	<u>\$296,987,866</u>	<u>\$244,337,941</u>

The accompanying notes are an integral part of these financial statements.

Second Harvest of Silicon Valley
Statement of Functional Expenses
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	Program Services	Support Services			2025 Total	2024 Total
		Management and General	Fundraising	Total Support Services		
Personnel expenses						
Salaries and wages	\$ 20,152,517	\$ 4,165,824	\$ 3,781,693	\$ 7,947,517	\$ 28,100,034	\$ 28,660,935
Employee benefits	4,099,656	807,523	723,815	1,531,338	5,630,994	5,572,276
Payroll taxes	1,614,351	345,178	311,993	657,171	2,271,522	2,198,464
Worker's compensation insurance	245,157	16,401	7,413	23,814	268,971	253,399
Total personnel expenses	26,111,681	5,334,926	4,824,914	10,159,840	36,271,521	36,685,074
Donated food and supplies distributed	179,510,457	-	-	-	179,510,457	201,277,526
Purchased food and supplies distributed	24,610,127	-	-	-	24,610,127	30,270,498
Depreciation	3,105,927	351,527	292,082	643,609	3,749,536	4,073,376
Occupancy, including in-kind	2,395,135	88,439	73,484	161,923	2,557,058	4,056,158
Freight and storage, including in-kind	2,634,257	-	-	-	2,634,257	3,095,269
Professional services	1,446,800	643,169	259,782	902,951	2,349,751	2,049,855
Outside services	1,251,094	131,048	104,676	235,724	1,486,818	1,770,099
Supplies, including in-kind	1,314,404	44,168	25,392	69,560	1,383,964	3,100,592
Equipment rental and maintenance	1,013,669	162,618	135,118	297,736	1,311,405	1,501,658
Vehicle operating costs	1,177,236	-	-	-	1,177,236	1,323,455
Direct mailing costs	-	-	644,071	644,071	644,071	569,590
Bank and payroll charges	-	561,389	-	561,389	561,389	603,605
Advertising and media, including in-kind	-	-	526,540	526,540	526,540	819,451
Insurance	424,027	44,567	37,030	81,597	505,624	486,631
Postage and printing	339,422	72,575	70,043	142,618	482,040	461,517
Taxes and licenses	474,059	-	-	-	474,059	514,757
Telephone	309,269	66,128	55,552	121,680	430,949	472,626
Dues and subscriptions	111,474	23,835	19,805	43,640	155,114	165,794
Conferences, conventions, and meetings	76,674	16,394	14,367	30,761	107,435	106,653
Equipment for agency infrastructure	66,577	-	-	-	66,577	435,694
Recruitment expenses	46,613	9,967	8,281	18,248	64,861	216,459
Affiliation fees	48,401	-	-	-	48,401	31,054
Volunteer expenses	47,679	-	-	-	47,679	63,045
Travel	28,828	6,164	5,218	11,382	40,210	40,675
Interest	14,773	-	-	-	14,773	41,302
	\$ 246,558,583	\$ 7,556,914	\$ 7,096,355	\$ 14,653,269	\$ 261,211,852	\$ 294,232,413
Percentage of total	94.4 %	2.9 %	2.7 %	5.6 %	100.0 %	

The accompanying notes are an integral part of these financial statements.

Second Harvest of Silicon Valley
Statement of Cash Flows
For the Year Ended June 30, 2025
(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 52,649,925	\$ 23,612,665
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,749,536	4,073,376
Capital Campaign contributions, net	(37,062,351)	(19,708,225)
Loss on sale and disposal of equipment	630,850	348,616
In-kind contributions of food and non-food supplies (including government and non-government)	(180,118,191)	(202,455,906)
Distribution of food and non-food supplies received in-kind	179,510,457	201,277,526
Net realized and unrealized gains on investments	(9,571,276)	(8,933,220)
Amortization of operating lease right-of-use asset	190,777	1,125,581
Changes in operating assets and liabilities		
Accounts receivable	(5,811)	15,521
Grants receivable	518,646	970,024
Pledges receivable, net of discount	584,590	2,006,570
Purchased inventory (food)	1,229,057	473,187
Prepaid expenses and other assets	194,007	(215,709)
Accounts payable	(1,304,786)	(1,433,150)
Accrued expenses	148,896	157,911
Operating lease liability	(194,250)	(1,140,755)
Net cash provided by operating activities	<u>11,150,076</u>	<u>174,012</u>
Cash flows from investing activities		
Proceeds from sale of investments	36,172,987	36,175,082
Purchases of investments	(37,043,558)	(34,503,452)
Proceeds from sales of equipment	121,879	89,599
Purchase of land, buildings, and equipment	(20,309,858)	(3,463,132)
Net cash used in investing activities	<u>(21,058,550)</u>	<u>(1,701,903)</u>
Cash flows from financing activities		
Proceeds from Liquidity Access Line	14,000,000	91,686
Payments on Liquidity Access Line	-	(10,811,478)
Proceeds received from Capital Campaign	40,095,632	25,203,744
Net cash provided by financing activities	<u>54,095,632</u>	<u>14,483,952</u>
Net increase in cash and cash equivalents	44,187,158	12,956,061
Cash and cash equivalents, beginning of year	<u>40,728,120</u>	<u>27,772,059</u>
Cash and cash equivalents, end of year	<u>\$ 84,915,278</u>	<u>\$ 40,728,120</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ -	\$ 96,402
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Supplemental schedule of noncash investing and financing activities

Purchase of land, buildings, and equipment through accounts payable	\$ 2,572,232	\$ -
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The accompanying notes are an integral part of these financial statements.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

1. ORGANIZATION

Second Harvest of Silicon Valley (also known as "Second Harvest") is a nonprofit 501(c)(3) organization established in 1974 and incorporated in 1979. Second Harvest is one of the largest food banks in the nation and a trusted nonprofit leader in ending local hunger.

In Silicon Valley, one of the wealthiest regions in the country, food insecurity is higher than the national average. One in six neighbors relies on Second Harvest for nutritious food, half of whom are kids and seniors. Inflation and the high cost of housing disproportionately impact neighbors living on fixed incomes or earning lower wages in jobs that keep the community running (such as grocery clerks, bus drivers, teaching assistants and service workers). The increased cost of everyday essentials like food, gas and rent takes up a much larger portion of budgets, so even small price increases can be the difference between being able to cover expenses or not. Even people who work multiple jobs may have difficulty paying all their bills, while at the same time earning too much to qualify for government programs, like CalFresh, which are calculated based on the federal poverty level and not adjusted for the higher cost of living in Silicon Valley.

Insufficient federal funding for support programs including CalFresh, formerly known as food stamps, a program designed to be the first line of defense against hunger, has placed Second Harvest in the position of being the primary food safety net for many families in the region. Support from WIC – the Special Supplemental Nutrition Program for Women, Infants, and Children – is also inadequate, increasing the pressure on Second Harvest.

Changes at the federal level brought new challenges this year. In March 2025, USDA canceled 17 truckloads of food that were supposed to come to Second Harvest – including expensive, high-protein items like chicken, milk and eggs – valued at approximately \$1 million. And shortly after the fiscal year ended, the passage of the federal budget reconciliation bill, also known as the Big Beautiful Bill, enacted the deepest cuts to the Supplemental Nutrition Assistance Program (SNAP), called CalFresh in California, in history. These cuts, along with cuts to Medicaid, will have real consequences that ripple across dinner tables, classrooms and communities in the years ahead.

As Second Harvest navigates a time of economic uncertainty and rising need, Second Harvest of Silicon Valley remains steadfast in its mission to ensure that everyone – regardless of background or circumstance – has access to the nutritious food they need to thrive. With the unwavering support of the community, Second Harvest continues to meet the moment with compassion, innovation and resilience.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

1. ORGANIZATION (continued)

How Second Harvest served the community

- **Scale of Operations:** In fiscal year 2025, Second Harvest distributed 112 million pounds of food, enough food for more than 94 million meals. Second Harvest obtained food at a very low cost by employing efficient food sourcing strategies, such as rescuing food from farms, grocery stores and distributors that might otherwise go to waste, and negotiating low prices around large-volume, bulk purchases, particularly for lean protein and dairy items. Second Harvest also received donations of commodities from the federal government as price support for farmers. Nearly 60% of the food distributed, or more than 66 million pounds, was fresh produce, reflecting Second Harvest's commitment to nutrition and health.
- **Partner network:** Second Harvest maintains a powerful network of nearly 400 nonprofit agencies at more than 900 sites across Santa Clara and San Mateo counties. These include affordable housing sites, schools, colleges, libraries, community and senior centers, faith communities, shelters, meal sites and more. Almost every nonprofit providing charitable food in Silicon Valley is likely getting it from Second Harvest, free of charge. The community-powered approach keeps Second Harvest nimble and ready to respond when needs change. During fiscal year 2025, Second Harvest worked alongside its partners to transition grocery distribution sites from low-contact drive-thru formats with pre-boxed food that were essential during the pandemic back to farmers' market-style distributions. This market model gives Second Harvest's clients the dignity of choice – selecting the foods and quantities that work best for their households – while helping Second Harvest make the most of its resources.
- **Food rescue:** To maintain the steady supply of nutritious food Second Harvest sources and distributes – including fresh produce, dairy, grains and pantry staples – last year it continued to leverage large-scale donations, manage a robust grocery rescue program and purchase in bulk. Second Harvest prevented food waste by rescuing large volumes of quality food from farms and retail stores and distributing it to households facing food insecurity. As the leader in food rescue in Santa Clara and San Mateo counties, last year Second Harvest and its partners recovered the vast majority of rescued food in Santa Clara and San Mateo counties. Of the 112 million pounds Second Harvest distributed in total, 75% was rescued – 17 million pounds from retail stores alone – nourishing neighbors, preventing waste and keeping food out of landfills. By continuing to expand the food rescue programs, Second Harvest is able to efficiently and more sustainably source and provide a nutritious mix of foods to its clients and partners.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

1. ORGANIZATION (continued)

How Second Harvest served the community (continued)

- **Multilingual support:** Second Harvest's multilingual Food Connection hotline team connects individuals and families to immediate food assistance as well as long term programs like CalFresh. Last year, the team received more than 42,000 inquiries, including calls, partner referrals and requests via Second Harvest's website. The team submitted nearly 2,000 CalFresh applications and more than 1,200 were approved, which provided more than 1 million additional meals to the community. Second Harvest's outreach team also expanded direct engagement and deepened partnerships with community organizations and medical providers, ensuring that even more of its most vulnerable neighbors were aware of – and had access to – nutritious food. Second Harvest had 79 medical partners in fiscal year 2025, including Kaiser Permanente, Santa Clara Valley Medical Center Hospital and Clinics, San Mateo Medical Center, and Stanford Health Care.
- **Nutrition resources:** Last year, Second Harvest's Community Health and Nutrition team continued to help ensure that clients and their families felt confident and inspired to turn their groceries into flavorful meals, while honoring culture, tradition and personal preferences. The team, which included 48 volunteer Health Ambassadors, hosted over 260 outreach events and brought culinary and nutrition education to community spaces across two counties, which included hands-on cooking classes, nutrition workshops, food demonstrations and resource fairs, as well as food safety training to nearly 890 people.
- **Advocacy:** Second Harvest successfully secured additional state funding for the CalFood program this year, which will help it continue to provide California-grown, fresh and nutritious foods to its clients.
- **Donor and volunteer support:** Donors and volunteers continue to be the driving force behind Second Harvest's ability to meet the continued demand for food assistance in the community. In fiscal year 2025, nearly 42,000 donors provided more than 121,000 gifts totaling \$74.3 million, a 3% increase from \$72 million in fiscal year 2024. Surplus funds generated in prior years will cover a planned deficit of \$5 million in fiscal year 2026, with the organization projected to break even in fiscal year 2027. In addition to strong donor support, Second Harvest leveraged more than 269,000 volunteer hours provided by 32,000 unique volunteers, which provided the equivalent of 130 full-time employees, amplifying its reach and impact across the region.
- **Financial efficiency:** Second Harvest has proudly maintained a Charity Navigator 4-star rating – the highest possible – since 2007. This distinction is awarded to organizations that meet or exceed industry standards and follow best practices with excellence. Second Harvest is proud to have received a perfect 100% score across every category – impact and measurement, accountability and finance, leadership and adaptability, and culture and community – reflecting its deep commitment to transparency, effectiveness and the people it serves.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

1. ORGANIZATION (continued)

How Second Harvest served the community (continued)

To prepare for the future and meet the growing demand for food assistance, Second Harvest is investing in a new centralized food distribution warehouse on 10.4 acres of land in San Jose, scheduled for completion by fiscal year 2027. This facility will streamline operations, reduce long-term expenses, and increase efficiency, allowing Second Harvest to direct even more resources toward the clients it serves.

2. CHANGE IN NET ASSETS

For the fiscal year ended June 30, 2025, Second Harvest reported a positive change in net assets of approximately \$52.6 million. A major driver of this growth was the \$37.1 million raised through Second Harvest's capital campaign, which is funding a new building scheduled for completion in 2027. These funds have already supported land acquisition (see Note 8) and will continue to support construction as part of the organization's warehouse consolidation initiative. This strategic effort is designed to improve delivery efficiencies and expand Second Harvest's capacity to provide more food to the community.

In addition, contributing to the positive change was our \$16.2 million non-operating surplus — comprised of a \$4 million endowment contribution and \$12.4 million in investment gains — along with \$1.36 million in earned interest from the capital campaign checking account and \$715,000 in released temporarily restricted revenue. These gains were partially offset by a \$1.55 million reduction in multi-year donations and a \$243,000 operating deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of Second Harvest have been prepared on the accrual basis of accounting.

Financial statement presentation

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), Second Harvest reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - include those assets over which the Board of Directors has discretionary control in carrying out the operations of Second Harvest. Under this category, Second Harvest maintains an operating fund, any net assets designated by the Board of Directors for specific purposes, and the land, buildings, and equipment fund.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial statement presentation (continued)

- *Net assets with donor restrictions* - include contributions received from donors that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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 at the date of the financial statements and the reported amounts of support, revenue, and expenses during the period. Accordingly, actual results could differ from those estimates.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Second Harvest's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Cash and cash equivalents

Cash equivalents include highly liquid investments and investments with an original maturity of three months or less. Second Harvest maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Second Harvest has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts, grants, and pledges receivable

Second Harvest considers all accounts, grants, and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory consists of donated food and non-food items, purchased food, and United States Department of Agriculture ("USDA") commodities received from the government. Donated non-government products were valued at \$1.90 and \$1.97 per pound for the years ended June 30, 2025 and 2024, respectively. Donated government food was valued at \$1.72 and \$1.74 per pound for the years ended June 30, 2025 and 2024, respectively. This valuation is based on a cost study conducted for Feeding America. Purchased food approximates actual cost and is valued utilizing first in, first out ("FIFO") method. The fair value of donated food, non-food items, and USDA commodities inventory is determined using Level 2 inputs and the fair value of purchased food inventory is determined using Level 1 inputs.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Fair value measurements

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of Second Harvest. Unobservable inputs reflect Second Harvest's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect Second Harvest's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Land, buildings, and equipment

Land, buildings, and equipment are recorded at cost or estimated fair value for donated items. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 30 years. Land, building, and equipment purchases over \$5,000 are capitalized. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment. Amounts expended for maintenance and repairs are charged to operations as incurred.

Leases

Second Harvest applies ASC 842, *Leases*, to record its leases. Second Harvest assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term. Leases that contain lease and non-lease components are accounted for as a single lease.

Right-of-use assets ("ROU") represent Second Harvest's right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Second Harvest uses the implicit rate when it is readily determinable. Since Second Harvest's leases do not provide an implicit rate, to determine the present value of lease payments, management has elected to use a risk-free rate using a period comparable with that of the lease term. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Second Harvest's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise the option.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued flexible time off ("FTO")

Accrued FTO represents vacation and sick time earned, but not taken as of June 30, 2025 and 2024. The maximum FTO that can be accrued and carried over to the next year is between 240 and 372 hours for non-exempt employees, and 300 to 408 hours for exempt employees. The accrual hours are based on the employee's years of service. The accrued FTO balance as of June 30, 2025 and 2024 was \$2,306,787 and \$2,252,199, respectively, and is included in accrued expenses on the accompanying statements of financial position.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gifts are recognized as contributions with or without donor restrictions. Contributions are recorded as with or without donor restrictions depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets without donor restrictions if the restrictions have been met in the same period as receipt. If the restriction has not been met by the end of the period of receipt, the amount is reported as an increase in net assets with donor restrictions. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions.

Second Harvest receives a significant amount of government in-kind food assistance and government cash assistance through reimbursement by local, state, and federally funded programs. The support generated from these programs is recorded as government assistance in the statement of activities. These government assistance categories meet the criteria to be classified as conditional contributions under GAAP revenue recognition for nonprofit organizations as they contain barriers related to the incurrence of qualifying expenditures and a right of return or release. Second Harvest has elected the simultaneous release option to account for these grants. Therefore, they are recorded as government assistance without donor restrictions upon satisfaction of the barriers. In the event amounts are received and barriers have not been met, Second Harvest records such amounts as refundable advances until the barriers have been met.

Contributions in-kind

Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which Second Harvest would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. Second Harvest also receives donated services that do not require specific expertise, but which are nonetheless central to Second Harvest's operations. While these contributed services are not reflected in the financial statements, the estimated value of these services is disclosed in Note 17.

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Notes to Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expense allocation

Management estimates Second Harvest's indirect salary expense allocation based on individual employees estimated time spent by function. Management's estimate of other indirect costs is based on salary expense, poundage, or actual food distribution by counties.

Income tax status

Second Harvest is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701d of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Second Harvest in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2025 and 2024 totaled \$526,540 and \$819,451, respectively. Of these costs, \$86,350 and \$94,143 were from in-kind contributions for the years ended June 30, 2025 and 2024, respectively.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of Second Harvest has evaluated events and transactions subsequent to June 30, 2025 for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through the date the financial statements became available to be issued, December 12, 2025. There were no subsequent events requiring disclosure.

4. PLEDGES RECEIVABLE

For pledges receivable expected to be collected in more than one year, a present value discount is estimated based on the risk-free rate (appropriate U.S. Treasury Bond Rate) at the time of the grant as adjusted for credit and other donor specific risks. The risk-adjusted discount rate on pledges receivable as of June 30, 2025 and 2024 ranged from 2.6% to 6.1%.

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4. PLEDGES RECEIVABLE (continued)

Pledges receivable consisted of the following:

	2025	2024
Pledges receivable in less than one year	\$ 11,916,500	\$ 9,544,500
Pledges receivable in one to five years	<u>8,026,500</u>	<u>14,731,500</u>
	19,943,000	24,276,000
Less discounts to net present value	<u>(1,564,985)</u>	<u>(2,280,114)</u>
	<u><u>\$ 18,378,015</u></u>	<u><u>\$ 21,995,886</u></u>

5. INVENTORY

Inventory consisted of the following:

	2025	2024
Donated non-government food and non-food supplies	\$ 2,312,801	\$ 2,520,160
Purchased food	890,885	985,568
USDA food commodities	583,425	889,826
Purchased non-food supplies	<u>48,091</u>	<u>60,971</u>
	<u><u>\$ 3,835,202</u></u>	<u><u>\$ 4,456,525</u></u>

6. INVESTMENTS

Investments consisted of the following:

	2025	2024
Investments	\$ 95,500,458	\$ 90,533,109
Investments - board designated endowment (Notes 13 and 14)	<u>25,770,563</u>	<u>20,296,065</u>
	<u><u>\$ 121,271,021</u></u>	<u><u>\$ 110,829,174</u></u>

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6. INVESTMENTS (continued)

Net investment income consisted of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 5,655,900	\$ 4,342,617
Net realized and unrealized gains	<u>9,571,276</u>	<u>8,933,220</u>
	<u>15,227,176</u>	<u>13,275,837</u>
Investment fees	<u>(736,453)</u>	<u>(655,655)</u>
	<u><u>\$ 14,490,723</u></u>	<u><u>\$ 12,620,182</u></u>

7. FAIR VALUE MEASUREMENTS

Second Harvest's investment policy is to maintain a moderately conservative but balanced portfolio, with the primary investment objectives being the preservation of purchasing power and the preservation of capital. Second Harvest's investment portfolio is structured and maintained with the overall objective of providing the resources and liquidity for Second Harvest to fulfill its mission statement.

The following table sets forth by level, within the fair value hierarchy, Second Harvest's investments at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity investments	\$ 65,241,069	\$ -	\$ -	\$ 65,241,069
Fixed income securities	-	50,973,692	-	50,973,692
Real estate investment trusts	<u>5,056,260</u>	<u>-</u>	<u>-</u>	<u>5,056,260</u>
	<u><u>\$ 70,297,329</u></u>	<u><u>\$ 50,973,692</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121,271,021</u></u>

The following table sets forth by level, within the fair value hierarchy, Second Harvest's investments at fair value as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Equity investments	\$ 61,001,329	\$ -	\$ -	\$ 61,001,329
Fixed income securities	-	45,883,167	-	45,883,167
Real estate investment trusts	<u>3,944,678</u>	<u>-</u>	<u>-</u>	<u>3,944,678</u>
	<u><u>\$ 64,946,007</u></u>	<u><u>\$ 45,883,167</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 110,829,174</u></u>

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7. FAIR VALUE MEASUREMENTS (continued)

Level 1 investments consist of marketable equity securities. The estimated fair value of these investments is based on quoted prices in active markets for identical assets, which are considered directly observable inputs under the fair value hierarchy.

Fixed income securities consist primarily of investment grade instruments issued by the U.S. government and corporations. These securities are valued based on observable inputs such as yield curves, credit spreads, and benchmark interest rates.

8. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

	2025	2024
Land	\$ 56,543,662	\$ 42,740,670
Buildings and improvements	29,699,402	29,640,259
Equipment	22,787,967	22,286,079
Construction-in-progress	<u>10,655,263</u>	<u>3,479,530</u>
	119,686,294	98,146,538
Accumulated depreciation	<u>(28,592,925)</u>	<u>(25,432,994)</u>
	<u><u>\$ 91,093,369</u></u>	<u><u>\$ 72,713,544</u></u>

Depreciation expense for the years ended June 30, 2025 and 2024 totaled \$3,749,536 and \$4,073,376, respectively.

In April 2022, Second Harvest purchased land in San Jose, California, for a total price (including closing costs) of approximately \$38,700,000 for the purpose of creating a new warehouse site to unify its operations in Santa Clara County. Since the purchase of the land, Second Harvest incurred additional costs related to the land use entitlement. The purchase of the property is a major step for Second Harvest to improve and expand on its ability to deliver a nutritious mix of food to its clients and ensure food security for the community for the long-term. While the new site will support both counties, Second Harvest will continue to maintain a location in San Mateo County to continue meeting the needs of the Peninsula community. In June 2025, Second Harvest purchased additional land adjacent to the land purchased in April 2022 for a total price (including closing costs) of approximately \$13,500,000 to further support the development of this new warehouse site.

To facilitate the purchase of the land and the construction of the new warehouse, Second Harvest has entered into a Liquidity Access Line agreement (see Note 10), as well as funds raised from donors through its Capital Campaign (see Note 16).

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9. LINE OF CREDIT

Second Harvest established a revolving line of credit with Wells Fargo Bank to meet short-term working capital borrowing needs. The line of credit matured in November 2023 and was not renewed. Borrowings were limited to a maximum of \$4,000,000 and the line of credit was secured by certain assets owned by Second Harvest. Under the agreement, interest on any outstanding funds were payable monthly at the bank's prime rate, which was 8.50% as of the maturity date of the line of credit in November 2023.

10. LIQUIDITY ACCESS LINE

In April 2022, Second Harvest entered into a Liquidity Access Line agreement (the "LAL") with Morgan Stanley. The LAL is a form of line of credit, and is collateralized by certain Second Harvest cash and investment accounts (see Note 14 for Board of Directors designations in support of the LAL). Borrowings under the LAL are limited to a maximum of \$60,000,000 as of June 30, 2025. There is no specified maturity date for the LAL; the LAL is callable by Morgan Stanley at any time.

Second Harvest uses the LAL as a financing bridge for its facility expansion plans. During the year ended June 30, 2022, Second Harvest used the proceeds from the LAL to purchase a land parcel in San Jose, California (see Note 8). During the year ended June 30, 2024, Second Harvest used proceeds received from Capital Campaign contributions to fully repay all outstanding amounts under the LAL. During the year ended June 30, 2025, Second Harvest used proceeds from the LAL to purchase an additional land parcel in San Jose, California (see Note 8).

As of June 30, 2025 and 2024, total borrowings under the LAL were \$14,000,000 and \$0, respectively. The LAL carries a variable interest rate. The effective rate as of June 30, 2025 and 2024 was 5.43% and 6.45%, respectively, and accrued interest on the LAL was \$14,773 and \$0 as of June 30, 2025 and 2024, respectively. These amounts are included in the accompanying statements of financial position as a component of accrued expenses.

Subsequent to the year ended June 30, 2025, Second Harvest used an \$8.5 million Capital Campaign donation to pay down a significant portion of the LAL balance.

11. LEASES

Second Harvest leases from the County of Santa Clara the land on which the San Jose distribution center is located. The lease term is 50 years, commencing July 30, 1991, at the rate of \$1 per year, with three 10-year renewal options. In the event the premises cease to be used as a nonprofit food collection and distribution facility, the County of Santa Clara has the right to terminate the lease. Due to this condition of the lease, in-kind land is not recorded as an asset on the statement of financial position. Management has determined that recognition of an in-kind contribution for this amount on an annual basis is overall not material to the financial statements.

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11. LEASES (continued)

In July 2020, Second Harvest signed a lease agreement for 91,202 square feet of warehouse space. The original term of the lease was from September 30, 2020 to June 30, 2021. In June 2021, the lease was extended through August 31, 2024 and was not renewed upon expiration.

The components of lease cost are as follows:

	2025	2024
Lease cost		
Operating lease cost	\$ 191,007	\$ 1,146,041
Variable lease cost	<u>39,693</u>	<u>235,797</u>
 Total lease cost	 <u>\$ 230,700</u>	 <u>\$ 1,381,838</u>
	2025	2024
Weighted average remaining lease term	N/A	0.17 years
Weighted average discount rate	N/A	2.84 %

12. CONTINGENCIES

Contracts

Grants and contracts awarded to Second Harvest are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations, and criteria. Occasionally, such audits may determine that certain costs incurred against the grants do not comply with the established criteria that govern them. In such cases, Second Harvest could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended June 30, 2025.

Litigation

In the normal course of operations, Second Harvest is involved in various legal discussions. Second Harvest's management does not expect any of these discussions to lead to legal proceedings that would result in a material adverse effect on Second Harvest's financial statements.

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13. RETIREMENT PLAN

Second Harvest maintains a tax deferred 403(b) retirement plan (the "Plan") to provide retirement benefits for all eligible employees. The Plan provides for Second Harvest contributions of 5% of eligible employee compensation. Vesting of employer matching contributions is based on years of service. Second Harvest contributions for the years ended June 30, 2025 and 2024 totaled \$1,381,748 and \$1,316,556, respectively. All of the Plan's administration costs were paid for by the Plan.

14. BOARD DESIGNATED NET ASSETS

As part of Second Harvest's annual review of designated assets, the Board of Directors adopted specific guidelines for establishing the level of each designation. Operating reserves include approximately three to six months of the coming year's annual budget. The pandemic recovery fund reserve provides additional funding for food when uncertain times and potential scarcity could unexpectedly develop into a sudden, unplanned community need which requires spending for additional food. In addition, the designated funds shall be used to support the longer-term recovery of the community as a result of sudden unplanned community need. The Board may also designate funds to support investment in the infrastructure of its partners to strengthen the distribution channel. The designated capital replacement fund is calculated as the present-value of a ten-year asset replacement plan including additional funds for upgrades of existing assets. Inventory reserved is the on-hand fair market value as of June 30, 2025 and 2024.

Board designated net assets consisted of the following:

	2025	2024
Board designated for operating reserves	\$ 40,115,322	\$ 42,175,123
Board designated pandemic recovery fund reserve	12,000,000	27,700,000
Board designated endowment fund (investment)	25,770,563	20,296,065
Board designated facility expansion reserve	35,000,000	15,000,000
Board designated for capital replacement	21,639,697	11,551,711
Board designated for inventory	<u>3,835,202</u>	<u>4,456,525</u>
	<u><u>\$ 138,360,784</u></u>	<u><u>\$ 121,179,424</u></u>

In connection with Second Harvest's current LAL as described in Note 10, the Board of Directors has authorized Second Harvest to draw the entire line of credit facility as required in support of its facility expansion project. The line of credit is collateralized by Second Harvest's cash and investments and, as such, should the line of credit require immediate repayment, the Board of Directors has authorized such requirement to replace the designations of net assets outlined above in support of repayment the line of credit.

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15. BOARD DESIGNATED ENDOWMENT FUND

Second Harvest's Board Designated Endowment consists of unrestricted net assets which the Board of Directors has chosen to hold as a general endowment fund (the "Fund") to support the mission of Second Harvest. The Board of Directors authorizes the endowment funds to be a part of the collateral for the outstanding line of credit.

Return objectives and risk parameters

The Fund was created to ensure a reasonable, predictable, and sustainable source of funds. Second Harvest designates 50% of each unrestricted donor bequest to the Fund. The Fund will be used to produce a growing level of income in order to support future activities, programs, and the capital needs of Second Harvest. Second Harvest's objective is to provide a predictable stream of funding while seeking to maintain the purchasing power of the Fund's assets and preserve capital. The primary goal is to seek a total return (net of fees and expenses) that equals at least 500 basis points over the inflation rate, as measured by the Consumer Price Index on an annualized basis. These objectives and goals are expected to be achieved over 6 to 10 years.

Strategies employed for achieving objectives

The Board of Directors has determined that the assets of the Fund will be professionally managed in a moderately conservative manner. Management of the Fund's portfolio focuses on satisfying these objectives through the optimal allocation of stocks and fixed income securities. Fixed income securities should be used to satisfy current income requirements and control total portfolio volatility. Common stocks should generate income and capital growth to preserve and enhance the purchasing power of the portfolio. The nature of the assets involved and the long-term objectives of the Fund suggest utilizing a "total return approach" to investment management.

The equity portion of the Fund consists of publicly traded common and preferred stocks and convertible debt. It is expected that 40% to 70% of the Fund will be invested in equity and/or equity mutual funds. Of that, 20% to 35% are invested in international equity and/or international equity mutual funds (foreign securities traded in the United States). It is expected that 30% to 60% of the Fund will be invested in fixed income securities. It is expected that no more than 5% of the Fund will be invested in alternative investments with no more than 3% in real estate and 2% in commodities.

Spending policy and how investment objectives relate to spending policy

The endowment spending policy aims to ensure a prudent trade-off between current program needs and long-term purchasing power. Therefore, the spending range of 4% to 5.75%, with a desired optimal target of 5%, is considered prudent.

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15. BOARD DESIGNATED ENDOWMENT FUND (continued)

Spending policy and how investment objectives relate to spending policy (continued)

The amount of funds allocated for expenditure ("Spending Allocation") is calculated in April of each year and is based on the rolling prior 12-quarter average. If fewer than 12 quarters are available, then the available quarters will be used. The Spending Allocation is transferred to the operations account between July and October in the fiscal year following the calculation. Second Harvest may choose to defer the transfer to a future period and will maintain record of the accumulated distributable amount. During the years ended June 30, 2025 and 2024, the Board of Directors approved spending allocations of \$1,360,000 and \$0, respectively; \$702,205 of the accumulated spending allocation amount (since the Fund policy's established date of November 18, 2018) is available for use without the Board of Directors' additional approval.

Endowment composition

Changes in Board designated endowment net assets are as follows:

	2025	2024
Balance, beginning of year	\$ 20,296,065	\$ 16,175,336
Appropriation of Board Designated Endowment fund assets for expenditure	(1,360,000)	-
Transfers to Board Designated Endowment fund	4,166,452	2,593,869
Investment income, net	2,837,777	1,660,331
Investment fees	<u>(169,731)</u>	<u>(133,471)</u>
Balance, end of year	<u><u>\$ 25,770,563</u></u>	<u><u>\$ 20,296,065</u></u>

16. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2025	2024
Capital Campaign	\$ 122,206,736	\$ 84,075,606
Time restrictions	5,991,338	6,949,060
Purpose restrictions	<u>12,137</u>	<u>479,741</u>
	<u><u>\$ 128,210,211</u></u>	<u><u>\$ 91,504,407</u></u>

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16. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year ended June 30, 2025 were as follows:

	2025	2024
Time restrictions	\$ 2,596,244	\$ 3,970,605
Purpose restrictions	<u>467,604</u>	<u>638,257</u>
	<u><u>\$ 3,063,848</u></u>	<u><u>\$ 4,608,862</u></u>

17. CONTRIBUTIONS IN-KIND

The estimated fair value of donated food, gift certificates, property and equipment, advertising, supplies, expert services, freight, and warehouse space received are recorded as contributions. The valuation of donated non-government products and donated government food is based on a cost study conducted by Feeding America. The value of donated freight costs is estimated based on the actual cost for freight that Second Harvest pays for comparable freight services. The value of donated warehouse space is estimated based on the cost per square foot price Second Harvest pays for comparable warehouse space. The value of donated software, supplies, and minor equipment is based on online research of current prices for comparable supplies and minor equipment, and or the actual prices paid for recent purchases of similar supplies and minor equipment. Donated advertising and media, utilities, legal services, and event space are valued at the estimated fair value of current rates for similar professional services. Donated vehicles and equipment are valued based on online research of prices for similar vehicles and equipment. Donated gift certificates are valued based on the face value of the gift certificates received. All donated goods and services are utilized and not re-sold or other monetized by Second Harvest for program services, management and general, and fundraising purposes.

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17. CONTRIBUTIONS IN-KIND (continued)

Contributions in-kind received during the year were as follows:

	2025	2024
Contributions in-kind - non-government		
Food and non-food inventory	\$ 162,507,706	\$ 183,839,572
Delivery services	431,223	135,278
Software	177,256	135,406
Utilities	125,453	152,361
Freight	118,128	107,486
Advertising and media	111,910	94,143
Supplies and minor equipment	39,543	140,648
Vehicles and major equipment	36,358	42,865
Gift certificates	13,385	11,307
Legal services	-	4,110
	163,560,962	184,663,176
Government assistance - in-kind		
Food - government	17,610,485	18,687,650
	\$ 181,171,447	\$ 203,350,826

Second Harvest also receives donated services that do not require specific expertise, but which are nonetheless central to Second Harvest's operations. For the years ended June 30, 2025 and 2024, the estimated value of these services, based on the estimated dollar value of volunteer time calculated by average rate by job category, totaled \$7,394,634 and \$8,603,997, respectively. The value of these services is not reflected in the financial statements.

18. PAYMENTS TO AFFILIATES

In accordance with the affiliation agreement between Feeding America and Second Harvest, Second Harvest pays fees based on total poundage of food received from Feeding America. Affiliation payments for the years ended June 30, 2025 and 2024 were \$48,401 and \$31,054, respectively.

19. CONFLICT OF INTEREST POLICY

Included among Second Harvest's Board of Directors and Officers are volunteers from the community who provide valuable assistance to Second Harvest in the development of policies and programs and in the evaluation of business transactions. Second Harvest has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or organization.

Second Harvest of Silicon Valley
Notes to Financial Statements
June 30, 2025
(With Comparative Totals for 2024)

20. LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of Second Harvest's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Long-term investments include endowment funds consisting of Board Designated Endowments. As described in Note 15, the Fund has a spending rate of between 4% and 5.75% (with a desired optimal target of 5%). Accordingly, \$702,205 of appropriations from the Fund could be available within the next 12 months. In addition, board designated net assets may be re-purposed at the board's discretion for general expenditure in order to meet immediate liquidity needs.

Short-term contributions receivable consists of accounts, grants, and pledges receivable expected to be received within one year from June 30, 2025. Short-term accounts, grants, and pledges receivable without donor restrictions will be available to support general operations of Second Harvest.

The following is a quantitative disclosure which describes financial assets that are available within one year of June 30, 2025 to fund general expenditures and other obligations when they become due:

Available financial assets consisted of the following:

Cash and cash equivalents	\$ 84,914,278
Accounts receivable	11,183
Grants receivable	359,902
Pledges receivable, net of discount	18,378,015
Investments	95,500,458
Investments - Board Designated Endowment	<u>25,770,563</u>
	<u>224,934,399</u>

Less amounts unavailable for general expenditure within one year:

Investments - board designated endowment	(25,770,563)
Net assets restricted for Capital Campaign	(122,206,736)
Net assets restricted to a passage of time	(5,991,338)
Board designated for capital replacement	(21,639,697)
Board designated facility expansion reserve	<u>(35,000,000)</u>
	<u>(210,608,334)</u>

Financial assets available to meet cash needs for general expenditures within one year

\$ 14,326,065

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S 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 of Silicon Valley

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 of Silicon Valley ("Second Harvest"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, 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 12, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Harvest'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 Second Harvest's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Second Harvest's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

San Jose, California

December 12, 2025



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

Board of Directors
Second Harvest of Silicon Valley

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Second Harvest of Silicon Valley ("Second Harvest")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Second Harvest's major federal programs for the year ended June 30, 2025. Second Harvest's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Harvest 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, 2025.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Second Harvest and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Second Harvest's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Second Harvest's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Second Harvest's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Second Harvest's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Second Harvest's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Second Harvest's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Armanino LLP

San Jose, California

December 12, 2025

Second Harvest of Silicon Valley
Schedule of Expenditures of Federal and Other Governmental Awards
For the Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipients</u>
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EXPENDITURES OF FEDERAL AWARDS

U.S. Department of Agriculture

Passed through:

California Department of Social Services

Emergency Food Assistance Program (Food Commodities)	10.569	N/A	\$ 16,504,216	\$ 16,504,216
Emergency Food Assistance Program (Administrative Costs)	10.568	N/A	583,444	-
Emergency Food Assistance Program (Supplemental)	10.568	N/A	127,366	-
Local Food Purchase Agreements with States, Tribes, and Local Governments (LFPA)	10.182	N/A	1,028,502	946,558
Total passed through California Department of Social Services			<u>18,243,528</u>	<u>17,450,774</u>

Passed through:

California Association of Food Banks

The Emergency Food Assistance
Program (TEFAP) Commodity Credit
Corporation Eligible Recipient Funds

Emergency Food Assistance Program
(Food Commodities)

Total passed through California
Association of Food Banks

Total U.S. Department of Agriculture			<u>18,922,791</u>	<u>17,916,886</u>
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Federal Emergency Management Agency

Passed through:

United Way Bay Area

Emergency Food and Shelter National
Board Program

Total Federal Emergency Management Agency			<u>180,000</u>	<u>-</u>
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The accompanying notes to the Schedule of Expenditures of Federal and
Other Governmental Awards are an integral part of this schedule.

Second Harvest of Silicon Valley
 Schedule of Expenditures of Federal and Other Governmental Awards
 For the Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through:				
California Association of Food Banks				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	N/A	<u>371,929</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>371,929</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 19,474,720</u>	<u>\$ 17,916,886</u>

The accompanying notes to the Schedule of Expenditures of Federal and Other Governmental Awards are an integral part of this schedule.

Second Harvest of Silicon Valley
Notes to Schedule of Expenditures of Federal and Other Governmental Awards
June 30, 2025

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and other governmental awards (the "Schedule") includes the federal and other governmental award activity of Second Harvest of Silicon Valley ("Second Harvest") under programs of the federal, state and local governments for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Second Harvest, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Second Harvest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This Schedule is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

3. FOOD DISTRIBUTION

Nonmonetary assistance for commodities received are reported in the Schedule based on a cost study conducted for Feeding America. At June 30, 2025, Second Harvest had food commodities totaling \$576,179 in inventory.

4. INDIRECT COST RATE

Second Harvest has not elected to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

Second Harvest of Silicon Valley
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Assistance Listing Number</u>
Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182
Food Distribution Cluster	
Emergency Food Assistance Program (Food Commodities)	10.569
Emergency Food Assistance Program (Administrative Costs)	10.568
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

**Second Harvest of Silicon Valley
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025**

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Second Harvest of Silicon Valley
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

There were no prior year findings.