

Financial Report

*Second Harvest Food Bank of
Greater New Orleans and Acadiana*

June 30, 2014



Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

TABLE OF CONTENTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

June 30, 2014 and 2013

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 3
Exhibits	
A - Statements of Financial Position	4 - 5
B-1 - Statement of Activities (For the Year Ended June 30, 2014)	6 - 7
B-2 - Statement of Activities (For the Year Ended June 30, 2013)	8 - 9
C-1 - Statement of Functional Expenses (For the Year Ended June 30, 2014)	10
C-2 - Statement of Functional Expenses (For the Year Ended June 30, 2013)	11
D - Statements of Cash Flows	12 - 13
E - Notes to Financial Statements	14 - 34
Supplemental Information	
Schedule	
1 - Schedule of Support, Revenue, and Expenses Prepared for The United Way for the Greater New Orleans Area	35
Special Reports of Certified Public Accountants	
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 <u>Government Auditing Standards</u>	36 - 37
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	38 - 40
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43 - 44
Reports By Management	
Schedule of Prior Year Findings and Questioned Costs	45
Management's Corrective Action Plan	46

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Archbishop or Administrator of the
Archdiocese of New Orleans and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a non-profit organization, which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in the schedule of support, revenue, and expenses prepared for the United Way for the Greater New Orleans Area is presented for the 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on the supplemental information. The accompanying supplemental information is not intended to present Second Harvest's financial position and results of operations.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2014, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Second Harvest's internal control over financial reporting and compliance.



Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2014.

STATEMENTS OF FINANCIAL POSITION

Second Harvest Food Bank of Greater New Orleans and Acadiana

June 30, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash and cash equivalents	\$ 1,654,088	\$ 2,005,798
Contributions receivable:		
Pledges	211,498	251,138
United Way	264,923	142,375
Grants receivable	585,734	672,186
Other receivables	121,272	24,677
Prepaid expenses	34,283	120,550
Investments	2,543,834	2,149,219
Inventory	<u>2,562,926</u>	<u>2,844,920</u>
 Total current assets	 7,978,558	 8,210,863
 Noncurrent Assets:		
Pledges receivable, noncurrent	386,787	502,355
Property and equipment - net	10,344,304	10,517,402
Investments, permanently restricted	1,377,643	1,268,266
Other assets	<u>27,422</u>	<u>109,061</u>
 Total assets	 <u>\$ 20,114,714</u>	 <u>\$ 20,607,947</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 582,796	\$ 538,171
Note payable, current	229,476	185,268
Other liabilities	<u>30,000</u>	<u>30,000</u>
Total current liabilities	842,272	753,439
Noncurrent Liabilities:		
Note payable, net of current maturities	<u>4,283,560</u>	<u>4,524,153</u>
Total liabilities	<u>5,125,832</u>	<u>5,277,592</u>
Net Assets:		
Unrestricted:		
Undesignated	10,899,453	10,993,471
Designated	<u>1,809,107</u>	<u>1,995,088</u>
	12,708,560	12,988,559
Temporarily restricted	902,679	1,073,530
Permanently restricted	<u>1,377,643</u>	<u>1,268,266</u>
Total net assets	<u>14,988,882</u>	<u>15,330,355</u>
Total liabilities and net assets	<u>\$ 20,114,714</u>	<u>\$ 20,607,947</u>

STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues and Other Support				
Public support:				
Donations of food, grocery, and other products from producers and brokers	\$ 29,875,640			\$ 29,875,640
Contributions, donations, and grants	4,072,707	\$ 461,030		4,533,737
Contributed goods and services	102,660			102,660
United Way				
Greater New Orleans:				
Allocations	6,000	43,744		49,744
Designations	58,977			58,977
Combined Federal Campaign	37,218			37,218
St. Charles:				
Allocations	110,000	110,000		220,000
Acadiana:				
Allocations	19,793	55,000		74,793
Other Agencies:				
Allocations	1,250	45,500		46,750
Special events (net of direct costs of \$402,089)	403,042			403,042
Total public support	<u>34,687,287</u>	<u>715,274</u>	<u>-</u>	<u>35,402,561</u>
Governmental financial assistance:				
U.S.D.A. commodities	11,676,378			11,676,378
U.S.D.A. administration	616,358			616,358
Fees and grants from federal agencies	1,076,172			1,076,172
Non-Federal fees and grants	804,418			804,418
Total governmental financial assistance	<u>14,173,326</u>	<u>-</u>	<u>-</u>	<u>14,173,326</u>
Other Revenue				
Program generated	295,258			295,258
Investment income	324,248		\$ 189,365	513,613
Rental income	364,961			364,961
Other	194,031			194,031
Net assets released from restrictions	966,113	(886,125)	(79,988)	-
Total other revenue	<u>2,144,611</u>	<u>(886,125)</u>	<u>109,377</u>	<u>1,367,863</u>
Total revenue	<u>51,005,224</u>	<u>(170,851)</u>	<u>109,377</u>	<u>50,943,750</u>

**Exhibit B-1
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses				
Program services	48,776,785			48,776,785
Management and general	1,058,397			1,058,397
Fundraising	1,450,041			1,450,041
	<u>51,285,223</u>	<u>-</u>	<u>-</u>	<u>51,285,223</u>
Total expenses				
Change in net assets	(279,999)	(170,851)	109,377	(341,473)
Net Assets				
Beginning of year	<u>12,988,559</u>	<u>1,073,530</u>	<u>1,268,266</u>	<u>15,330,355</u>
End of year	<u>\$ 12,708,560</u>	<u>\$ 902,679</u>	<u>\$ 1,377,643</u>	<u>\$ 14,988,882</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Revenues and Other Support				
Public support:				
Donations of food, grocery, and other products from producers and brokers	\$ 28,099,184			\$ 28,099,184
Contributions, donations, and grants	4,860,913	\$ 788,218		5,649,131
Contributed goods and services	110,100			110,100
United Way				
Greater New Orleans:				
Allocations		51,750		51,750
Designations	41,993			41,993
Combined Federal Campaign	46,039			46,039
St. Charles:				
Allocations	11,572			11,572
Acadiana:				
Allocations		55,000		55,000
Other Agencies:				
Allocations	52,500	25,500		78,000
Special events (net of direct costs of \$346,772)	411,275			411,275
Total public support	33,633,576	920,468	-	34,554,044
Governmental financial assistance:				
U.S.D.A. commodities	12,653,409			12,653,409
U.S.D.A. administration	552,776			552,776
Fees and grants from federal agencies	1,102,841			1,102,841
Non-Federal fees and grants	80,635			80,635
Total governmental financial assistance	14,389,661	-	-	14,389,661
Other Revenue				
Program generated	205,541			205,541
Investment income	159,237		\$ 209,997	369,234
Rental income	399,375			399,375
Other	354,297			354,297
Net assets released from restrictions	710,755	(628,020)	(82,735)	-
Total other revenue	1,829,205	(628,020)	127,262	1,328,447
Total revenue	49,852,442	292,448	127,262	50,272,152

**Exhibit B-2
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Expenses				
Program services	45,430,526			45,430,526
Management and general	1,073,500			1,073,500
Fundraising	1,397,969			1,397,969
Total expenses	<u>47,901,995</u>	<u>-</u>	<u>-</u>	<u>47,901,995</u>
Change in net assets	1,950,447	292,448	127,262	2,370,157
Net Assets				
Beginning of year	<u>11,038,112</u>	<u>781,082</u>	<u>1,141,004</u>	<u>12,960,198</u>
End of year	<u>\$ 12,988,559</u>	<u>\$ 1,073,530</u>	<u>\$ 1,268,266</u>	<u>\$ 15,330,355</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,279,774	\$ 631,356	\$ 454,555	\$ 3,365,685
Employee benefits	489,360	146,076	84,415	719,851
Payroll taxes	172,095	48,435	33,738	254,268
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	2,941,229	825,867	572,708	4,339,804
Food distribution and procurement	42,946,461	-	-	42,946,461
Mailings and solicitations	99,287	500	642,034	741,821
Transportation and freight	682,693	4,913	4,354	691,960
Depreciation	657,256	1,151	1,350	659,757
Occupancy	485,488	-	-	485,488
Supplies	236,737	6,125	30,419	273,281
Other operating expenses	50,192	51,690	150,691	252,573
Professional fees and contract services	123,982	84,725	41,377	250,084
Interest expense on mortgage	203,206	-	-	203,206
Personnel recruitment and development	133,570	49,619	5,161	188,350
Insurance	130,066	-	-	130,066
Equipment expenses	86,618	33,807	1,947	122,372
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 48,776,785</u>	<u>\$ 1,058,397</u>	<u>\$ 1,450,041</u>	<u>\$ 51,285,223</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 1,891,391	\$ 673,011	\$ 487,542	\$ 3,051,944
Employee benefits	293,034	125,990	62,903	481,927
Payroll taxes	136,906	49,255	36,134	222,295
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	2,321,331	848,256	586,579	3,756,166
Food distribution and procurement	40,355,858	-	-	40,355,858
Mailings and solicitations	119,592	-	566,766	686,358
Depreciation	631,186	1,422	1,350	633,958
Transportation and freight	504,509	4,022	2,520	511,051
Occupancy	474,205	666	17,103	491,974
Other operating expenses	177,033	63,946	149,966	390,945
Professional fees and contract services	159,917	80,913	37,867	278,697
Supplies	217,292	3,405	28,791	249,488
Interest expense on mortgage	205,581	-	-	205,581
Insurance	156,431	-	-	156,431
Personnel recruitment and development	62,650	48,647	2,955	114,252
Equipment expenses	44,941	22,223	4,072	71,236
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 45,430,526</u>	<u>\$ 1,073,500</u>	<u>\$ 1,397,969</u>	<u>\$ 47,901,995</u>

See notes to financial statements.

STATEMENTS OF CASH FLOWS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (341,473)	\$ 2,370,157
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	659,757	633,958
Unrealized and realized gains on investments, net	(410,378)	(275,846)
Gain on sale of assets	-	(6,304)
Changes in assets and liabilities:		
Receivables and pledges	22,517	(206,132)
Other assets	81,639	(70,579)
Prepaid expenses	86,267	(36,003)
Inventory	281,994	(1,212,737)
Accounts payable and accrued expenses	44,625	(73,443)
Unemployment reserve	-	(1,359)
Other liabilities	-	4,994
	<u>424,948</u>	<u>1,126,706</u>
Net cash provided by operating activities		
Cash Flows From Investing Activities		
Purchase of investments, net	(93,614)	(303,450)
Purchases of property and equipment	(486,659)	(267,643)
Proceeds from sale of property and equipment	-	38,900
	<u>(580,273)</u>	<u>(532,193)</u>
Net cash used in investing activities		

**Exhibit D
(Continued)**

	<u>2014</u>	<u>2013</u>
Cash Flows From Financing Activities		
Principal payments on notes payable	<u>(196,385)</u>	<u>(174,858)</u>
Net Increase (Decrease) in Cash	(351,710)	419,655
Cash		
Beginning of year	<u>2,005,798</u>	<u>1,586,143</u>
End of year	<u>\$ 1,654,088</u>	<u>\$ 2,005,798</u>
Supplemental Disclosure for Cash Flow Information		
Cash paid during the year for interest	<u>\$ 203,206</u>	<u>\$ 205,581</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Second Harvest Food Bank of Greater New Orleans and Acadiana**

June 30, 2014 and 2013

Note 1 - NATURE OF ACTIVITIES

Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"), a Louisiana non-profit corporation, is a certified member of Feeding America. Its mission is to lead the fight against hunger and build food security in South Louisiana by providing food access, advocacy, education and disaster response. Second Harvest provides distribution of food and related products to qualified charitable organizations. The Archbishop or Administrator of the Archdiocese of New Orleans (the "Archdiocese") is the sole member of Second Harvest.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Basis of Accounting**

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

b. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from these estimates.

c. Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, Second Harvest considers all unrestricted, highly liquid, short-term investments, including money market account deposits, commercial paper investments, and certificates of deposit purchased with an initial maturity of 90 days or less to be cash equivalents.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Allowance for Doubtful Accounts

Second Harvest uses the reserve method to recognize uncollectible accounts. The reserve is based on management's assessment of the collectability of specific accounts. Management monitors outstanding receivable balances and charges off to bad debt expense any balances that are determined to be uncollectible. As of June 30, 2014 and 2013, there was no reserve for bad debts.

e. Investments

Second Harvest records investments in the investment pool, marketable securities with readily determinable fair values and investments in debt securities at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Unrealized gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Interest earned on donor restricted investments is reported based on the existence or absence of donor-imposed restrictions. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to the change in net assets and the establishment of a new cost basis for the investment.

f. Inventory

Second Harvest's inventory is comprised of donated food and grocery products, U.S.D.A. commodities, and purchased food and grocery products. Donated food and U.S.D.A. commodities inventory, including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used was \$1.72 and \$1.69 per pound for years ended June 30, 2014 and 2013, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2014 and 2013, there was no obsolete inventory.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Property and Equipment

Second Harvest has adopted the policy of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$2,000. Property is stated at cost or at fair market value on the date of donation for donated assets. Depreciation of these assets is provided over their estimated useful lives, which ranges from three years to twenty-five years, on a straight-line basis. Repairs and maintenance are charged to expense as incurred; major renewals and replacements and betterments are capitalized.

For the years ended June 30, 2014 and 2013, depreciation expense totaled \$659,757 and \$633,958, respectively.

h. Financial Statement Presentation

Net assets are included in one of the following three classes of net assets, depending on the presence and type of donor-imposed restrictions.

Unrestricted Net Assets - Those net assets whose use is not restricted by donors. On March 6, 2013, the Board of Directors passed a resolution which approved the adoption of the Operating Reserve Policy.

The Operating Reserve Policy of Second Harvest is designed to ensure the stability of the Organization's mission and ongoing operations. The Operating Reserve is intended to provide a source of funds for situations such as extraordinary expenses that arise, reserve variability, unanticipated losses of funding, or other unexpected financial events. The Operating Reserve is not intended to replace a permanent loss of funds or eliminate an ongoing budget deficit. Second Harvest's Operating Reserve will be supported by investments in the form of cash deposits or publicly traded investments to be available based on Finance Committee recommendations and Board of Directors' approvals. As of June 30, 2014 and 2013, the Operating Reserve requirements were \$1,809,107 and \$1,995,088, respectively.

Temporarily Restricted Net Assets - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial Statement Presentation (Continued)

Permanently Restricted Net Assets - Contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Second Harvest.

i. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of restrictions. Other support and/or contributions not restricted are recorded as unrestricted revenue. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support. The value of contributed goods and services has been recorded as support and revenue and expense in the period received, provided there is an objective basis for measurement of the value of such goods and services, and they are significant and form an integral part of the efforts of the program.

Contributions receivable are recognized when the donor makes a promise to give to Second Harvest that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional promises to give as of June 30, 2014 and 2013.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. There were no donated assets received for the years ended June 30, 2014 and 2013.

j. Functional Allocation of Expenses

The costs of providing the various programs and supporting services are summarized on a functional basis in the Statements of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimate of the costs involved.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Donated Services

Support arising from donated services is recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2014 and 2013, Second Harvest recognized approximately \$102,660 and \$110,100, respectively, for donated advertising services. The related advertising costs were expensed as incurred.

The donated volunteer services in Second Harvest's functional areas were approximately 52,938 hours for the year ended June 30, 2014 and 50,273 hours for the year ended June 30, 2013. The services provided for the years ended June 30, 2014 and 2013 do not meet either criterion described above. The computation of the value of these services represents the amount of compensation, which would be paid if non-volunteer personnel were to occupy these positions. The 52,938 hours for the year ended June 30, 2014 and 50,273 hours for the year ended June 30, 2013 that do not meet either of the recognition criteria described above have not been recognized in the accompanying financial statements. The value for donated volunteer services for the years ended June 30, 2014 and 2013 was \$1,172,058 and \$1,048,192, respectively.

l. Income Taxes

Second Harvest is a not-for-profit corporation organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2011 and later remain subject to examination by the taxing authorities. As of June 30, 2014, management of Second Harvest believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through December 17, 2014, which is the date the financial statements were available to be issued.

Note 3 - GRANTS RECEIVABLE

The grants receivable balances as of June 30, 2014 and 2013 consist of the following:

	2014	2013
Department of Education - Summer Food Service Program	\$ 288,756	\$ 220,683
U.S.D.A. distribution fees	183,741	49,004
Morgan Stanley Foundation	50,000	-
Other grants	15,679	30,485
Learning by Giving Foundation	20,000	-
Frost Foundation	10,000	-
Lafayette City Parish Consolidated Government	5,336	9,553
United States Department of Homeland Security	-	342,461
Department of Children and Family Services	12,222	20,000
Totals	\$ 585,734	\$ 672,186

Note 4 - PLEDGES RECEIVABLE

Promises of donors to make contributions to Second Harvest are included in the financial statements as pledges receivable and contributions after discounting projected future cash flows to present value using a discount rate of 5% as determined by management to be a market rate of interest.

Note 4 - PLEDGES RECEIVABLE (Continued)

Pledges receivable as of June 30, 2014 and 2013 consist of the following:

	2014	2013
H. Britton Sanderford, Jr.	\$ 149,744	\$ 199,992
Capital campaign	121,986	217,914
Baptist Community Ministries	120,000	230,000
Feeding America	62,134	35,000
Higher Ground Foundation	33,220	-
Great American Merchandise and Events	26,875	-
Marques Colston	25,000	-
Freeport McMoran Copper & Gold Foundation	20,000	25,000
BHP Billiton Ltd	15,000	-
Kiwanis Club of Lafayette	13,126	28,794
Catholic Charities Archdiocese of New Orleans	10,780	-
Estate of Mary Ann D. Felui	10,000	-
CVS Caremark	10,000	-
Other pledges	7,753	42,440
Share Our Strength	3,750	21,667
Chevron	-	750
	629,368	801,557
Less unamortized discount	(31,083)	(48,064)
Totals	\$ 598,285	\$ 753,493

Pledges receivable as of June 30, 2014 are expected to be collected in the following periods:

In less than one year	\$ 211,498
One to five years	417,870
Total	\$ 629,368

Note 5 - INVESTMENTS

Investments of the various agencies of the Archdiocese of New Orleans (the "Archdiocese") are held in pooled assets and separately invested portfolios. Pooled assets represent funds that are invested in a commingled portfolio of investments, as opposed to separately invested assets. Investments in such pooled assets consist primarily of debt and equity securities and mutual fund investments. The amounts recorded in the Statements of Financial Position represent Second Harvest's share of the pool.

The following summarizes the market value of investments and the investment return for the years ended June 30, 2014 and 2013:

	2014	2013
Investment balances	\$ 3,921,477	\$ 3,417,485
Unrealized gain on investments	415,352	268,605
Realized gain (loss) on investments	(4,974)	7,241
	410,378	275,846
Interest and dividend income	103,235	93,388
Investment income	\$ 513,613	\$ 369,234

The current and long-term value of investments as of June 30, 2014 is \$2,543,834 and \$1,377,643, respectively. The current and long-term value of investments as of June 30, 2013 is \$2,149,219 and \$1,268,266, respectively.

Note 6 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Second Harvest has the ability to access.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Investments of Second Harvest are held in pooled accounts and separately invested portfolios. Second Harvest's investments are in Portfolio A of the pool. The investment pool is included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian of this portfolio uses independent pricing services, where available, to value the securities included in this portfolio. If an independent pricing service does not value a security or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote from a secondary pricing source, which may include third party brokers, investment advisers, and principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

The following is a description of the valuation methodologies used by the custodian for the investment pool measured at fair value. There have been no changes in the methodologies used as of June 30, 2014 and 2013.

Government obligations and corporate stocks - Valued at the closing price reported on the active market on which the individual securities are traded.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Money market funds, mutual funds, and exchange traded funds - Valued at quoted market prices, which represent the net asset value per unit.

Government agency mortgage obligations, municipal obligations, corporate and foreign obligations, collateralized mortgage obligations, and asset-backed securities - Valued by independent pricing vendors used by the other custodians of the investments. The pricing vendor uses various pricing models for each asset class that are consistent with what other market participants would use. The inputs and assumptions to the models used by the pricing vendors are derived from market observable sources including benchmark yields, reported trades, broker/dealer quotes, and other market related data. Since many of these fixed income securities do not trade on a daily basis, the methodology of the pricing vendor uses available information including benchmark curves, benchmarking of like securities, and matrix pricing.

Common trust and commingled funds, segregated portfolio companies, and limited partnerships - Valued, as a practical expedient, using the net asset values reported by the investee. The net asset values are determined based on the fair values of the underlying investments of the funds or partnerships.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Second Harvest 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 of measurement at the reporting date.

Note 6 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2014 and 2013 are comprised of and determined as follows:

Description	2014			
	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Archdiocese of New Orleans Investment Pool	<u>\$ 3,921,477</u>	<u>\$ -</u>	<u>\$ 3,921,477</u>	<u>\$ -</u>
Description	2013			
	Based on			
	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Archdiocese of New Orleans Investment Pool	<u>\$ 3,417,485</u>	<u>\$ -</u>	<u>\$ 3,417,485</u>	<u>\$ -</u>

As of June 30, 2014 and 2013, there were no assets measured at fair value on a non-recurring basis.

Note 7 - INVENTORY

Undistributed food and grocery products as of June 30, 2014 and 2013 consist of the following:

	2014		2013	
	Dollars	Pounds	Dollars	Pounds
Donated and purchased	\$ 904,370	508,652	\$ 1,288,114	772,644
U.S.D.A. commodities	<u>1,658,556</u>	<u>964,277</u>	<u>1,556,806</u>	<u>921,187</u>
Total	<u>\$ 2,562,926</u>	<u>1,472,929</u>	<u>\$ 2,844,920</u>	<u>1,693,831</u>

Note 8 - SECOND HARVEST FOOD AND GROCERY PRODUCTS RECEIVED AND DISTRIBUTED

Second Harvest receipts and distribution of food and grocery products for the years ended June 30, 2014 and 2013 were as follows:

	2014		2013	
	Dollars	Pounds	Dollars	Pounds
Receipts:				
Donated product	\$ 29,875,640	17,369,558	\$ 28,099,184	16,626,736
Purchased product	405,685	880,551	310,966	719,767
U.S.D.A. commodities	<u>11,676,378</u>	<u>6,788,592</u>	<u>12,653,409</u>	<u>7,487,224</u>
Totals	<u>\$ 41,957,703</u>	<u>25,038,701</u>	<u>\$ 41,063,559</u>	<u>24,833,727</u>
Distributions, net of adjustments:				
Donated product	\$ 30,326,155	17,643,482	\$ 28,154,874	16,672,715
Purchased product	337,593	870,619	375,206	814,517
U.S.D.A. commodities	<u>11,574,628</u>	<u>6,745,502</u>	<u>11,346,599</u>	<u>6,716,637</u>
Totals	<u>\$ 42,238,376</u>	<u>25,259,603</u>	<u>\$ 39,876,679</u>	<u>24,203,869</u>

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2014 and 2013 is as follows:

	2014	2013
Building and improvements	\$ 8,007,875	\$ 7,942,206
Land	1,960,000	1,960,000
Vehicles	1,747,953	1,747,953
Furniture, fixtures, and equipment	1,793,730	1,382,847
Construction in progress	127,968	127,968
Leasehold improvements	46,656	36,549
	13,684,182	13,197,523
Less: accumulated depreciation	(3,339,878)	(2,680,121)
Total	\$ 10,344,304	\$ 10,517,402

Note 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific programs, purposes, to assist specific departments of Second Harvest, or designated for subsequent periods. These restrictions are considered to expire when expenditures for restricted purposes are made or when contributions in subsequent periods are received.

Temporarily restricted net assets as of June 30, 2014 and 2013 are as follows:

	2014	2013
Other private contributions, donations, and grants	\$ 239,159	\$ 350,794
Backpack grants	232,497	50,849
United Way allocations	154,244	132,916
Feeding America grant	143,279	55,000
Baptist Community Ministries grant	133,500	230,000
Methodist Health System Foundations grant	-	14,248
National Homeland Security grant	-	239,723
Total	\$ 902,679	\$ 1,073,530

Note 10 - RESTRICTIONS ON NET ASSETS (Continued)

The following temporarily restricted net assets were released during the years ended June 30, 2014 and 2013:

	2014	2013
Other private contributions, donations, and grants	\$ 317,667	\$ 219,709
National Homeland Security grant	239,723	-
United Way allocations	132,917	197,261
Baptist Community Ministries grant	96,500	-
Backpack grants	50,849	75,298
Feeding America grant	34,221	25,000
Methodist Health System Foundations grant	14,248	110,752
Totals	\$ 886,125	\$ 628,020

Permanently restricted net assets consist of endowment fund assets (Note 11) to be held indefinitely.

Note 11 - ENDOWMENT

The Board of Directors (the "Board") of Second Harvest is of the belief that they have a strong fiduciary duty to manage the assets of Second Harvest's endowments in the most prudent manner possible. The Board recognizes that the intent of the endowment is to protect the donor with respect to expenditures from endowments. If this intent is clearly expressed by the donor, whether the intent is in a written gift instrument or not, the intent of the donor is followed. Earnings, including appreciation, that are not required by the donor to be reinvested in corpus are maintained in unrestricted net assets.

The Endowments. The Second Harvest's endowment fund consists of a permanently restricted fund established for the purpose of generating income to support general operations. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 11 - ENDOWMENT (Continued)

During the year ended June 30, 2000, the donor amended the "Agreement to Donate" dated August 26, 1997, which revised the method of distributing the earnings to Second Harvest, whereby 5% of the average market value of the investment for the last twelve fiscal quarters is allowed to be distributed annually to Second Harvest. All amounts in excess of the 5% distribution are to be reinvested as corpus. The amended "Agreement to Donate" also required that the principal balance should never be reduced below \$1,000,000.

Interpretation of Relevant Law. Second Harvest has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as expressly requiring the preservation of the historical dollar value for donor restricted endowment funds absent explicit donor stipulations to the contrary.

The following are classified as permanently restricted net assets in the accompanying financial statements.

- the original value of gifts donated to the permanent endowment;
- the original value of subsequent gifts to the permanent endowment; and
- accumulations to the permanent endowment, made in accordance with donor's amended "Agreement to Donate".

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Second Harvest considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Second Harvest and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of Second Harvest
- The investment policies of Second Harvest

Endowment net asset composition as of June 30, 2014 and 2013 is as follows:

	2014	2013
Donor-restricted	\$ 1,377,643	\$ 1,268,266

Note 11 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	2014		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ 596,402	\$ 1,268,266	\$ 1,864,668
Distribution	(596,402)		(596,402)
Net realized and unrealized gains	3,243	196,262	199,505
Fees	(3,243)	(6,897)	(10,140)
Transfers	<u>79,988</u>	<u>(79,988)</u>	<u>-</u>
Endowment net assets, End of year	<u>\$ 79,988</u>	<u>\$ 1,377,643</u>	<u>\$ 1,457,631</u>
	2013		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ 513,667	\$ 1,141,004	\$ 1,654,671
Net realized and unrealized gains	3,924	218,713	222,637
Fees	(3,924)	(8,716)	(12,640)
Transfers	<u>82,735</u>	<u>(82,735)</u>	<u>-</u>
Endowment net assets, End of year	<u>\$ 596,402</u>	<u>\$ 1,268,266</u>	<u>\$ 1,864,668</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA requires Second Harvest to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions. There were no such deficiencies in permanently restricted net assets as of June 30, 2014 and 2013.

Note 11 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters. Second Harvest has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

Strategies Employed for Achieving Objectives. The endowment's assets are invested in the Archdiocese of New Orleans' investment pool, as previously described. Second Harvest's spending and investment policies work together to achieve this objective.

Spending Policy and How Investment Objectives Relate to the Spending Policy. Spending is approved by the Board, based on the needs of Second Harvest.

Note 12 - NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT

On January 21, 2011, Second Harvest entered into a mortgage loan agreement totaling \$5,100,000. The loan was payable in monthly principal and interest amounts of \$31,703 at an interest rate of 4.22% beginning March 2011 through January 2016 with all remaining principal and interest due February 2016.

On February 5, 2014, Second Harvest refinanced the mortgage loan balance of \$4,589,528. The loan is payable in monthly principal amounts of \$19,123 plus interest at a variable rate of interest plus a base rate of 1.50% (1.652% as of June 30, 2014) beginning March 2014 through February 2021 with all remaining principal and interest due February 2021. The loan is collateralized with land, building, and improvements. The loan balance as of June 30, 2014 and 2013 was \$4,513,036 and \$4,709,421, respectively.

In conjunction with this note, Second Harvest entered into an interest rate swap agreement with the financial institution whereby the current notional amount (\$4,513,036 as of June 30, 2014) bears interest at a fixed rate of 2.25% plus the base rate of 1.50%. The variable interest rate on the swap agreement is calculated based on the USD-LIBOR BBA (.152% as of June 30, 2014). The swap agreement is designed to hedge the risk of changes in interest rate payments on the refinanced mortgage loan. The fair value of the swap is not material to the financial statements as of June 30, 2014. Future principal and interest payments to be made on the note are as follows:

Note 12 - NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 229,476	\$ 165,295	\$ 394,771
2016	229,476	156,689	386,165
2017	229,476	148,084	377,560
2018	229,476	139,478	368,954
2019	229,476	130,873	360,349
Thereafter	<u>3,365,656</u>	<u>198,999</u>	<u>3,564,655</u>
	<u>\$ 4,513,036</u>	<u>\$ 939,418</u>	<u>\$ 5,452,454</u>

Interest expense on the note payable for the years ended June 30, 2014 and 2013 was \$203,206 and \$205,581, respectively.

The mortgage agreement contains certain covenants, including the maintenance of certain financial ratios. As of June 30, 2014 and 2013, management of Second Harvest was not aware of any violations of the covenants.

Note 13 - RETIREMENT PLAN

Second Harvest offers a 401(k) defined contribution plan for its employees. Employees electing to participate in the plan are required to contribute a minimum of 3% of their salaries, and may elect to contribute up to a 16% maximum. The plan requires Second Harvest to contribute 3.5% of the participants' salaries. The plan administrator is the Archdiocese. Second Harvest contributed \$109,998 and \$86,671, for the years ended June 30, 2014 and 2013, respectively.

Note 14 - LEASES

Second Harvest as Lessee

Second Harvest leases warehouse and office space in Lafayette under an operating lease. The current lease agreement is for the period January 1, 2013 through December 31, 2017. Monthly payments on the lease are \$8,572. The previous lease agreement was for the period October 1, 2011 through December 31, 2011 and then followed by a period whereby the lease was on a month-to-month basis through December 31, 2012. Monthly payments for the prior lease were \$9,662. Rent expense for the years ended June 30, 2014 and 2013 was \$102,864 and \$109,000, respectively.

Note 14 - LEASES (Continued)

As of June 30, 2014, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

Year Ending June 30,	Amounts
2015	\$ 102,864
2016	102,864
2017	102,864
2018	51,432
Total	\$ 360,024

Second Harvest as Lessor

Second Harvest leases approximately 86,000 square feet of warehouse space in New Orleans. The lease term with the prior tenant was for the period May 14, 2012 through May 14, 2013. Monthly lease payments for this lease were approximately \$34,000 per month. The current lease term is for the period May 15, 2013 through May 31, 2015. Monthly lease payments are \$30,000 per month. Rental income was \$364,961 and \$399,375 for the years ended June 30, 2014 and 2013, respectively. Future minimum lease payments due as of June 30, 2014 are as follows:

Year Ending June 30,	Amounts
2015	\$ 330,000

Note 15 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2014 and 2013, \$13,011,701 (which includes \$718,965 of revenue included in non Federal fees and grants on the Statement of Activities) and \$13,206,186, respectively, of Second Harvest's governmental financial assistance was from the U.S. Department of Agriculture. Management believes that Second Harvest is in compliance with the provisions of these contracts and grants and that the findings of an audit, if any, would not have a material impact on the financial statements.

Note 16 - RISK MANAGEMENT

Second Harvest is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the years ended June 30, 2014 and 2013.

Note 17 - CONCENTRATIONS OF CREDIT RISK

Second Harvest maintains deposits with local financial institutions. Accounts at these institutions are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits. As of June 30, 2014, the cash balance in excess of insured amounts was approximately \$1,285,000.

Note 18 - RISKS AND UNCERTAINTIES

Investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by Second Harvest.

Note 19 - BOARD OF DIRECTORS COMPENSATION

The members of Second Harvest's Board were not compensated during the years ended June 30, 2014 and 2013.

Note 20 - RELATED PARTY TRANSACTIONS

The Archdiocese, through the operations of the Administrative Offices, serves as a conduit in providing insurance coverage to Second Harvest. The Administrative Office assesses premiums to Second Harvest based on relevant factors for each type of coverage. In the normal course of operations, the Archdiocese will make available to Second Harvest specific assistance in the form of internet services. Second Harvest is assessed separately for this assistance.

Note 20 - RELATED PARTY TRANSACTIONS (Continued)

Second Harvest paid the Archdiocese \$190,001 and \$209,896 for general liability, property coverage, workmen's compensation, and vehicle insurances and \$11,673 and \$11,849 for internet services secured on its behalf for the years ended June 30, 2014 and 2013, respectively.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES PREPARED
FOR THE UNITED WAY FOR THE GREATER NEW ORLEANS AREA**

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET		AGENCY TOTAL (Sum 2 + 3)	ADMINISTRATION FUNDRAISING	TOTAL PROGRAM SERVICES	PROGRAM SERVICES
			Management and General		Second Harvest
		1	2	3	4
REVENUE: (For United Way request, indicate Goal Areas)					
1	4201 CLIENT GENERATED SELF SUPPORT	\$ 35,347,795	\$ -	\$ 35,347,795	\$ 35,347,795
2	5000 GOVERNMENT	14,173,326	-	14,173,326	14,173,326
3	4800 OTHER FOUNDATIONS OR NATIONAL GRANTS	-	-	-	-
4	6700 OTHER REVENUE	1,337,239	-	1,337,239	1,337,239
5	TOTAL SELF GENERATED REVENUE	50,858,360	-	50,858,360	50,858,360
6	4702 UNITED WAY DESIGNATIONS	58,977	-	58,977	58,977
7	4703 CFC DESIGNATIONS	37,218	-	37,218	37,218
8	4704 OTHER UNITED WAY GRANTS	391,287	-	391,287	391,287
9	TOTAL REVENUE	487,482	-	487,482	487,482
10	4701 UNITED WAY GNO REQUEST	-	-	-	-
11	GRAND TOTAL REVENUE	\$ 51,345,842	\$ -	\$ 51,345,842	\$ 51,345,842
EXPENSES:					
12	7000 SALARIES	\$ 3,365,685	\$ 1,009,705	\$ 2,355,980	\$ 2,355,980
13	7100 BENEFITS	719,854	215,956	503,898	503,898
14	7200 TAXES	254,269	76,281	177,988	177,988
15	8400 OCCUPANCY EXPENSES	457,701	5,931	451,770	451,770
16	8700 TRAVEL & TRANSPORTATION EXP.	792,455	26,544	765,911	765,911
17	8100 OFFICE SUPPLIES	71,233	5,608	65,625	65,625
18	8600 PRINTING	47,781	16,194	31,587	31,587
19	8900 DIRECT ASSISTANCE TO INDIVIDUALS	42,882,879	-	42,882,879	42,882,879
20	9400 OTHER	1,984,752	595,426	1,389,326	1,389,326
21	9402 BOARD GENERATED SELF SUPPORT	1,110,706	333,212	777,494	777,494
22	GRAND TOTAL EXPENSES	\$ 51,687,315	\$ 2,284,857	\$ 49,402,458	\$ 49,402,458
23	NET DIFFERENCE	\$ (341,473)	\$ (2,284,857)	\$ 1,943,384	\$ 1,943,384

EXPENSES ANALYSIS:

24-Total Direct Program Expenses	\$ 49,402,458
25-Percent of Total Program Expenses	100%
26-Distribution of M & G Expenses	\$ 2,284,857
27-Grand Total Program Expenses	\$ 51,687,315
28-Projected Undup. People Served	262,800
29-Cost per Person	\$ 197

See Accountant's Disclaimer of Opinion.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Archbishop or Administrator of the
Archdiocese of New Orleans and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Second Harvest Food Bank of Greater New Orleans and Acadiana (a nonprofit organization) ("Second Harvest"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 17, 2014.

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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133

To the Archbishop or Administrator of the
Archdiocese of New Orleans and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Report on Compliance for Each Major Federal Program

We have audited the compliance of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest") (a nonprofit organization), with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133 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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Second Harvest's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Second Harvest's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Second Harvest's compliance.

Opinion on Each Major Federal Program

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, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of Second Harvest is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit, we considered Second Harvest's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Second Harvest's internal control over compliance.

A deficiency in internal control over compliance 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 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 control 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 first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Bourgeois Bennett, L.L.C." in a cursive script.

Certified Public Accountants.

New Orleans, Louisiana.
December 17, 2014.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture:		
<u>Pass-through Programs From:</u>		
<u>Louisiana Department of Agriculture and Forestry:</u>		
Emergency Food Assistance Program (Commodities)	10.569	\$ 11,676,378
Emergency Food Assistance Program (Administrative Costs)	10.568	616,358
Child and Adult Care Food Program	10.558	511,394
<u>Louisiana Department of Education:</u>		
Summer Food Service Program	10.555	482,974
United States Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	<u>81,804</u>
Total expenditures of federal awards		<u>\$ 13,368,908</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest"). Second Harvest's reporting entity is defined in Note 1 to the financial statements for the year ended June 30, 2014. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

b. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to Second Harvest's financial statements for the year ended June 30, 2014.

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2014.

Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal revenues of \$13,368,908 are reported on the Statement of Activities as unrestricted fees and grants from federal agencies of \$1,076,172, *U.S.D.A.* commodities of \$11,676,378, and *U.S.D.A.* administration of \$616,358.

Note 3 - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014

Section I - Summary of Auditor's Results

a) Financial Statements

Type of report issued on the financial statements: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness Yes None reported

Noncompliance material to financial statements noted? Yes No

b) Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness Yes None reported

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

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 Yes No

Section I - Summary of Auditors' Results (Continued)

c) Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.569	Emergency Food Assistance Program (Commodities)
10.568	Emergency Food Assistance Program (Administrative Costs)
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$401,067

Auditee qualified as a low-risk auditee? X Yes No

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2014.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2014.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2014.

Section III - Federal Award Findings and Questioned Costs

Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2014 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the year ended June 30, 2013.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2013.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2013.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2013 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2013.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2014

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of financial statements for the fiscal year ended June 30, 2014.

No significant deficiencies were noted during the audit of the financial statements for the fiscal year ended June 30, 2014.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the fiscal year ended June 30, 2014.

Section II - Internal Control and Compliance Material to Federal Awards

There were no findings or questioned costs reported during the audit of the financial statements for the year ended June 30, 2014, related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2014.