

*Financial Report*

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

*June 30, 2015*



**Bourgeois Bennett**  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS  
A LIMITED LIABILITY COMPANY

*Financial Report*

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

*June 30, 2015*

## **TABLE OF CONTENTS**

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

June 30, 2015 and 2014

	<u>Page Number</u>
<b>Financial Section</b>	
Independent Auditor's Report	1 - 3
<b>Exhibits</b>	
A - Statements of Financial Position	4 - 5
B-1 - Statement of Activities (For the Year Ended June 30, 2015)	6 - 7
B-2 - Statement of Activities (For the Year Ended June 30, 2014)	8 - 9
C-1 - Statement of Functional Expenses (For the Year Ended June 30, 2015)	10
C-2 - Statement of Functional Expenses (For the Year Ended June 30, 2014)	11
D - Statements of Cash Flows	12 - 13
E - Notes to Financial Statements	14 - 34
<b>Supplemental Information</b>	
<b>Schedules</b>	
1 - Schedule of Support, Revenue, and Expenses Prepared for The United Way for the Greater New Orleans Area	35
<b>Special Reports of Certified Public Accountants</b>	
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
<b>Reports By Management</b>	
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, 2015 and 2014 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, 2015 and 2014, 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 Schedule 1 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information in Schedule 1 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 in Schedule 1 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 8, 2015, 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 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.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana.  
December 8, 2015.

## STATEMENTS OF FINANCIAL POSITION

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

June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 654,347	\$ 1,654,088
Contributions receivable:		
Pledges	161,266	211,498
United Way	345,492	264,923
Give NOLA	69,998	-
Grants receivable	724,202	585,734
Other receivables	111,887	121,272
Prepaid and other assets	26,720	34,283
Investments	2,657,443	2,543,834
Inventory	1,656,514	2,562,926
	<hr/>	<hr/>
Total current assets	6,407,869	7,978,558
<b>Noncurrent Assets:</b>		
Pledges receivable, noncurrent	178,443	386,787
Property and equipment - net	10,233,907	10,344,304
Investments, permanently restricted	1,315,598	1,377,643
Other assets	25,109	27,422
	<hr/>	<hr/>
Total assets	<u>\$ 18,160,926</u>	<u>\$ 20,114,714</u>

See notes to financial statements.



**LIABILITIES AND NET ASSETS**

	2015	2014
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 484,783	\$ 582,796
Note payable, current	229,476	229,476
Other liabilities	30,000	30,000
Total current liabilities	744,259	842,272
<b>Noncurrent Liabilities:</b>		
Note payable, net of current maturities	4,054,084	4,283,560
Total liabilities	4,798,343	5,125,832
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	9,188,672	10,899,453
Designated	2,075,135	1,809,107
	11,263,807	12,708,560
Temporarily restricted	783,178	902,679
Permanently restricted	1,315,598	1,377,643
Total net assets	13,362,583	14,988,882
Total liabilities and net assets	\$ 18,160,926	\$ 20,114,714

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

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Revenues and Other Support</b>				
Public support:				
Donations of food, grocery, and other products from producers and brokers	\$ 31,720,496			\$ 31,720,496
Contributions, donations, and grants	4,464,619	\$ 378,561		4,843,180
Contributed goods and services	65,660			65,660
United Way				
Greater New Orleans:				
Allocations		51,387		51,387
Designations	50,107			50,107
Combined Federal Campaign	35,375			35,375
St. Charles - allocations		132,600		132,600
Acadiana - allocations	385	110,000		110,385
St. John - allocations		20,000		20,000
Washington Parish - allocations	1,750	7,130		8,880
Other - allocations		20,000		20,000
Special events (net of direct costs of \$90,377)	227,425			227,425
	<u>36,565,817</u>	<u>719,678</u>	<u>-</u>	<u>37,285,495</u>
Total public support				
Governmental financial assistance:				
U.S.D.A. commodities	9,854,708			9,854,708
U.S.D.A. administration	603,941			603,941
Fees and grants from federal agencies	1,196,132			1,196,132
Non-Federal fees and grants	745,340			745,340
	<u>12,400,121</u>	<u>-</u>	<u>-</u>	<u>12,400,121</u>
Total governmental financial assistance				
<b>Other Revenue</b>				
Program generated	453,745			453,745
Investment income	42,517		\$ 15,336	57,853
Rental income	361,200			361,200
Other	131,914			131,914
Net assets released from restrictions	916,560	(839,179)	(77,381)	-
	<u>1,905,936</u>	<u>(839,179)</u>	<u>(62,045)</u>	<u>1,004,712</u>
Total other revenue				
	<u>50,871,874</u>	<u>(119,501)</u>	<u>(62,045)</u>	<u>50,690,328</u>
Total revenue				

**Exhibit B-1  
(Continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Expenses</b>				
Program services	49,776,766			49,776,766
Management and general	1,151,672			1,151,672
Fundraising	1,388,189			1,388,189
Total expenses	52,316,627	-	-	52,316,627
Change in net assets	(1,444,753)	(119,501)	(62,045)	(1,626,299)
<b>Net Assets</b>				
Beginning of year	12,708,560	902,679	1,377,643	14,988,882
End of year	\$ 11,263,807	\$ 783,178	\$ 1,315,598	\$ 13,362,583

See notes to financial statements.

**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>
<b>Revenues and Other Support</b>				
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
St. John - allocations	-	17,500		17,500
Washington Parish - allocations	-	8,000		8,000
Other - allocations	1,250	20,000		21,250
Special events (net of direct costs of \$438,043)	367,088			367,088
Total public support	<u>34,651,333</u>	<u>715,274</u>	<u>-</u>	<u>35,366,607</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>
<b>Other Revenue</b>				
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>50,969,270</u>	<u>(170,851)</u>	<u>109,377</u>	<u>50,907,796</u>

**Exhibit B-2  
(Continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Expenses</b>				
Program services	49,076,283			49,076,283
Management and general	1,058,400			1,058,400
Fundraising	1,114,586			1,114,586
Total expenses	51,249,269	-	-	51,249,269
Change in net assets	(279,999)	(170,851)	109,377	(341,473)
<b>Net Assets</b>				
Beginning of year	12,988,559	1,073,530	1,268,266	15,330,355
End of year	\$ 12,708,560	\$ 902,679	\$ 1,377,643	\$ 14,988,882

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, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,597,871	\$ 664,442	\$ 475,698	\$ 3,738,011
Employee benefits and taxes	630,151	154,265	105,695	890,111
Personnel development and recruitment	105,037	73,104	7,290	185,431
 Total salaries and related expenses	 3,333,059	 891,811	 588,683	 4,813,553
Food distribution	43,656,567	-	91,418	43,747,985
Mailings and solicitations	401,130	7,402	394,529	803,061
Transportation and freight	596,170	1,914	4,426	602,510
Other operating expenses	288,193	70,664	165,112	523,969
Occupancy	490,631	-	1,368	491,999
Depreciation	467,280	3,676	1,118	472,074
Professional fees and contract services	113,780	96,801	110,777	321,358
Supplies	228,400	6,566	30,155	265,121
Insurance	140,865	-	386	141,251
Equipment expenses	60,691	72,838	217	133,746
 Total expenses	 <u>\$ 49,776,766</u>	 <u>\$ 1,151,672</u>	 <u>\$ 1,388,189</u>	 <u>\$ 52,316,627</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 and taxes	661,455	194,511	118,153	974,119
Personnel development and recruitment	<u>133,570</u>	<u>49,619</u>	<u>5,161</u>	<u>188,350</u>
Total salaries and related expenses	3,074,799	875,486	577,869	4,528,154
Food distribution	42,890,092	-	102,660	42,992,752
Mailings and solicitations	379,311	-	293,349	672,660
Transportation and freight	682,693	4,913	4,354	691,960
Other operating expenses	329,241	52,193	61,260	442,694
Occupancy	485,488	-	-	485,488
Depreciation	657,256	1,151	1,350	659,757
Professional fees and contract services	123,982	84,725	41,377	250,084
Supplies	236,737	6,125	30,420	273,282
Insurance	130,066	-	-	130,066
Equipment expenses	<u>86,618</u>	<u>33,807</u>	<u>1,947</u>	<u>122,372</u>
Total expenses	<u>\$ 49,076,283</u>	<u>\$ 1,058,400</u>	<u>\$ 1,114,586</u>	<u>\$ 51,249,269</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (1,626,299)	\$ (341,473)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	50,733	-
Depreciation	472,074	659,757
Unrealized and realized (gains) losses on investments, net	59,423	(410,378)
Loss on sale of assets	7,167	-
Changes in assets and liabilities:		
Receivables and pledges	(71,807)	22,517
Other assets	2,313	81,639
Prepaid expenses	7,563	86,267
Inventory	906,412	281,994
Accounts payable and accrued expenses	<u>(98,013)</u>	<u>44,625</u>
Net cash provided by (used in) operating activities	<u>(290,434)</u>	<u>424,948</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments, net	(110,987)	(93,614)
Purchases of property and equipment	<u>(368,844)</u>	<u>(486,659)</u>
Net cash used in investing activities	<u>(479,831)</u>	<u>(580,273)</u>



**Exhibit D  
(Continued)**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments on notes payable	<u>(229,476)</u>	<u>(196,385)</u>
<b>Net Decrease in Cash</b>	(999,741)	(351,710)
<b>Cash</b>		
Beginning of year	<u>1,654,088</u>	<u>2,005,798</u>
End of year	<u>\$ 654,347</u>	<u>\$ 1,654,088</u>
<b>Supplemental Disclosure for Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 167,139</u>	<u>\$ 203,206</u>

See notes to financial statements.

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

June 30, 2015 and 2014

**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. Bad debt expense totaled \$50,733 for the year ended June 30, 2015. There was no bad debt expense for the year ended June 30, 2014. As of June 30, 2015 and 2014, 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 \$1.70 and \$1.72 per pound for years ended June 30, 2015 and 2014, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2015 and 2014, 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 50 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, 2015 and 2014, depreciation expense totaled \$472,074 and \$659,757, respectively.

**h. Change in Accounting Estimate**

As of July 1, 2014, Second Harvest changed its accounting estimate of the useful life of buildings from 20 years to 50 years and changed the useful life of certain equipment previously ranging from 5 to 15 years to a useful life ranging from 10 to 20 years. After an analysis of the buildings and equipment maintained by Second Harvest, management believes the updated useful lives more appropriately reflect the true economic life of the assets. The change in the accounting estimate was applied prospectively. Depreciation expense was reduced by approximately \$220,000 for the year ended June 30, 2015 for the change in accounting estimate.

**i. 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

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Financial Statement Presentation (Continued)**

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, 2015 and 2014, the Operating Reserve requirements were \$2,075,135 and \$1,809,107, 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.

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

**j. 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, 2015 and 2014.

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, 2015 and 2014.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. 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.

**l. 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, 2015 and 2014, Second Harvest recognized \$65,660 and \$102,660, 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 56,149 hours for the year ended June 30, 2015 and 52,938 hours for the year ended June 30, 2014. The services provided for the years ended June 30, 2015 and 2014 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 56,149 hours for the year ended June 30, 2015 and 52,938 hours for the year ended June 30, 2014 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, 2015 and 2014 was \$1,243,141 and \$1,172,058, respectively.

**m. 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.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**m. Income Taxes (Continued)**

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, 2012 and later remain subject to examination by the taxing authorities. As of June 30, 2015, management of Second Harvest believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**n. 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 8, 2015, which is the date the financial statements were available to be issued.

**o. Reclassifications**

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

**Note 3 - GRANTS RECEIVABLE**

The grants receivable balances as of June 30, 2015 and 2014 consist of the following:

	2015	2014
Department of Education - Summer Food Service Program	\$ 226,099	\$ 288,756
Chevron	125,000	-
Joe W. and Dorothy Dorsett Brown Foundation	100,000	-
Louisiana Food Bank Association	97,000	-
U.S.D.A. distribution fees	62,646	183,741
Other grants	56,341	15,679
McCormick & Company	25,000	-
Kiwanis Club of Lafayette	14,347	-
Department of Children and Family Services	12,784	12,222
Lafayette City Parish Consolidated Government	4,985	5,336
Morgan Stanley Foundation	-	50,000
Learning by Giving Foundation	-	20,000
Frost Foundation	-	10,000
	\$ 724,202	\$ 585,734
Totals		

**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, 2015 and 2014 consist of the following:

	2015	2014
H. Britton Sanderford, Jr.	\$ 100,365	\$ 149,744
Capital campaign	80,671	121,986
Baptist Community Ministries	50,000	120,000
BP Corporation of North America	35,000	-
Subway Restaurants	30,000	-
Feeding America	20,000	62,134
Freeport McMoran Copper & Gold Foundation	16,000	20,000
Catholic Charities Archdiocese of New Orleans	11,925	10,780
Other pledges	7,305	7,753
Higher Ground Foundation	-	33,220
Great American Merchandise and Events	-	26,875
Marques Colston	-	25,000
BHP Billiton Ltd	-	15,000
Kiwanis Club of Lafayette	-	13,126
Estate of Mary Ann D. Felui	-	10,000
CVS Caremark	-	10,000
Share Our Strength	-	3,750
	351,266	629,368
Less unamortized discount	(11,557)	(31,083)
Totals	\$ 339,709	\$ 598,285

Pledges receivable as of June 30, 2015 are expected to be collected in the following periods:

In less than one year	\$ 161,266
One to five years	190,000
Total	\$ 351,266

**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 as of and for the years ended June 30, 2015 and 2014:

	2015	2014
Investment balances	\$ 3,973,041	\$ 3,921,477
Unrealized gain (loss) on investments	(52,080)	415,352
Realized loss on investments	(7,343)	(4,974)
	(59,423)	410,378
Interest and dividend income	117,276	103,235
Investment income	\$ 57,853	\$ 513,613

The current and long-term value of investments as of June 30, 2015 and 2014 is \$2,657,443 and \$1,315,598 and \$2,543,834 and \$1,377,643, 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.

**Note 6 - FAIR VALUE MEASUREMENTS (Continued)**

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, 2015 and 2014.

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

*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, asset-backed securities, and commercial paper* - 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, limited partnerships, and hedge feeder funds* - 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, 2015 and 2014 are comprised of and determined as follows:

<u>Description</u>	2015			
	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>\$ 3,973,041</u>	<u>\$ -</u>	<u>\$ 3,973,041</u>	<u>\$ -</u>
	2014			
	Based on			
<u>Description</u>	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>

As of June 30, 2015 and 2014, 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, 2015 and 2014 consist of the following:

	2015		2014	
	Dollars	Pounds	Dollars	Pounds
Donated and purchased U.S.D.A. commodities	<u>\$ 1,258,153</u>	<u>765,927</u>	<u>\$ 904,370</u>	<u>508,652</u>
	<u>398,361</u>	<u>234,330</u>	<u>1,658,556</u>	<u>964,277</u>
Totals	<u>\$ 1,656,514</u>	<u>1,000,257</u>	<u>\$ 2,562,926</u>	<u>1,472,929</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, 2015 and 2014 were as follows:

	2015		2014	
	Dollars	Pounds	Dollars	Pounds
Receipts:				
Donated product	\$ 31,720,496	18,659,115	\$ 29,875,640	17,369,558
Purchased product	1,140,160	1,053,921	405,685	880,551
U.S.D.A. commodities	9,854,708	5,796,887	11,676,378	6,788,592
Totals	\$ 42,715,364	25,509,923	\$ 41,957,703	25,038,701
Distributions, net of adjustments:				
Donated product	\$ 31,293,508	18,402,718	\$ 30,326,155	17,643,482
Purchased product	1,213,365	1,053,043	337,593	870,619
U.S.D.A. commodities	11,114,903	6,526,834	11,574,628	6,745,502
Totals	\$ 43,621,776	25,982,595	\$ 42,238,376	25,259,603

**Note 9 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of June 30, 2015 and 2014 is as follows:

	2015	2014
Building and improvements	\$ 8,082,481	\$ 8,007,875
Land	1,960,000	1,960,000
Vehicles	1,743,665	1,747,953
Furniture, fixtures, and equipment	1,386,474	1,793,730
Construction in progress	196,289	127,968
Leasehold improvements	46,656	46,656
	13,415,565	13,684,182
Less: accumulated depreciation	(3,181,658)	(3,339,878)
Totals	\$ 10,233,907	\$ 10,344,304

**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, 2015 and 2014 are as follows:

	2015	2014
United Way allocations	\$ 241,117	\$ 154,244
Other private contributions, donations, and grants	182,561	239,159
Backpack grants	118,500	132,497
United Way - backpack	100,000	100,000
Feeding America grant	77,500	143,279
Baptist Community Ministries grant	63,500	133,500
Totals	\$ 783,178	\$ 902,679

The following temporarily restricted net assets were released during the years ended June 30, 2015 and 2014:

	2015	2014
Other private contributions, donations, and grants	\$ 239,159	\$ 317,667
United Way allocations	154,244	132,917
Feeding America grant	143,279	34,221
Backpack grants	132,497	50,849
United Way - backpack	100,000	-
Baptist Community Ministries grant	70,000	96,500
National Homeland Security grant	-	239,723
Methodist Health System Foundations grant	-	14,248
Totals	\$ 839,179	\$ 886,125

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.

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:



**Note 11 - ENDOWMENT (Continued)**

- 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, 2015 and 2014 is as follows:

	2015	2014
Donor-restricted	\$ 1,315,598	\$ 1,377,643

Changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	2015		
	Unrestricted	Permanently Restricted	Total
Endowment net assets,			
Beginning of year	\$ 79,988	\$ 1,377,643	\$ 1,457,631
Distribution	(79,988)	-	(79,988)
Earnings	570	25,145	25,715
Fees	(570)	(9,809)	(10,379)
Transfers	77,381	(77,381)	-
End of year	\$ 77,381	\$ 1,315,598	\$ 1,392,979

**Note 11 - ENDOWMENT (Continued)**

	2014		
	Unrestricted	Permanently Restricted	Total
Endowment net assets,			
Beginning of year	\$ 596,402	\$ 1,268,266	\$ 1,864,668
Distribution	(596,402)		(596,402)
Earnings	3,243	196,262	199,505
Fees	(3,243)	(6,897)	(10,140)
Transfers	79,988	(79,988)	-
	<u>\$ 79,988</u>	<u>\$ 1,377,643</u>	<u>\$ 1,457,631</u>
Endowment net assets,			
End of year	<u>\$ 79,988</u>	<u>\$ 1,377,643</u>	<u>\$ 1,457,631</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, 2015 and 2014.

*Return Objectives and Risk Parameters.* Second Harvest follows the investment and spending policies of the Archdiocese through the Catholic Foundation as mandated by the Agreement to Donate 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.

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

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% (1.686% and 1.652% as of June 30, 2015 and 2014, respectively) 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, 2015 and 2014 was \$4,283,560 and \$4,513,036, respectively.

In conjunction with this note, Second Harvest entered into an interest rate swap agreement with the financial institution whereby the current notional amount (\$4,283,560 as of June 30, 2015) 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 (.186% and .152% as of June 30, 2015 and 2014, respectively). 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, 2015 and 2014. Future principal and interest payments to be made on the note are as follows:

	Principal	Interest	Total
2016	\$ 229,476	\$ 169,225	\$ 398,701
2017	229,476	159,931	389,407
2018	229,476	150,637	380,113
2019	229,476	141,343	370,819
2020	229,476	132,049	361,525
Thereafter	3,136,180	82,870	3,219,050
	\$ 4,283,560	\$ 836,055	\$ 5,119,615

Interest expense on the note payable for the years ended June 30, 2015 and 2014 was \$167,139 and \$203,206, respectively.

The mortgage agreement contains certain covenants, including the maintenance of certain financial ratios. As of June 30, 2015 and 2014, management of Second Harvest was not aware of any violations of the covenants.

**Note 13 - RETIREMENT PLAN**

Second Harvest offers a 401(k) retirement 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 retirement plan expense also includes an additional 2% contribution by Second Harvest to cover plan cost including life insurance and disability insurance for the employees. Any remaining funds from the additional 2% contribution may be used as a discretionary employer contribution to the plan.

The plan administrator is the Archdiocese. The plan trustee is Voya. Second Harvest contributed \$119,093 and \$109,998, for the years ended June 30, 2015 and 2014, 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. Second Harvest also leases two trucks under an operating lease. The current lease agreement is for the period July 1, 2014 through June 30, 2021. Monthly payments on these leases are \$3,486. Rent expense for the years ended June 30, 2015 and 2014 was \$144,695 and \$102,864, respectively.

As of June 30, 2015, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2016	\$ 144,695
2017	144,695
2018	93,263
2019	41,831
2020	41,831
Thereafter	<u>41,831</u>
Total	<u>\$ 508,146</u>

**Note 14 - LEASES (Continued)**

**Second Harvest as Lessor**

Second Harvest leases approximately 86,000 square feet of warehouse space in New Orleans. The prior lease term was for the period May 15, 2013 through May 31, 2015. Monthly lease payments for this lease were approximately \$30,000 per month. The current lease term is for the period June 1, 2015 through May 31, 2017. Monthly lease payments are \$31,200 per month. Rental income was \$361,200 and \$364,961 for the years ended June 30, 2015 and 2014, respectively. Future minimum lease payments due as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2016	\$ 374,400
2017	<u>343,200</u>
Total	<u>\$ 717,600</u>

**Note 15 - SIGNIFICANT CONTRACTS AND GRANTS**

For the years ended June 30, 2015 and 2014, \$11,109,200 and \$13,011,701, respectively, (which includes \$650,551 and \$718,965, respectively, of revenue included in non-Federal fees and grants on the Statements of Activities) 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, 2015 and 2014.

**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, 2015, the cash balance in excess of insured amounts was approximately \$360,000.

**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, 2015 and 2014.

**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.

Second Harvest paid the Archdiocese \$200,156 and \$190,001 for general liability, property coverage, workmen's compensation, and vehicle insurances and \$12,838 and \$11,673 for internet services secured on its behalf for the years ended June 30, 2015 and 2014, 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, 2015  
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET		AGENCY TOTAL (Sum 2 + 3) 1	ADMINISTRATION FUNDRAISING	TOTAL PROGRAM SERVICES 3	PROGRAM SERVICES
			Management and General 2		Second Harvest 4
<b>REVENUE:</b>					
1	4200 BOARD GENERATED SELF SUPPORT	\$ -	\$ -	\$ -	\$ -
2	4201 CLIENT GENERATED SELF SUPPORT	36,629,336	-	36,629,336	36,629,336
3	5000 GOVERNMENT	12,400,121	-	12,400,121	12,400,121
4	4800 OTHER FOUNDATIONS OR NATIONAL GRANTS	-	-	-	-
5	6700 OTHER REVENUE	1,232,137	-	1,232,137	1,232,137
6	<b>TOTAL SELF GENERATED REVENUE</b>	50,261,594	-	50,261,594	50,261,594
7	4702 UNITED WAY DESIGNATIONS	50,107	-	50,107	50,107
8	4703 CFC DESIGNATIONS	35,375	-	35,375	35,375
9	4704 OTHER UNITED WAY GRANTS	291,865	-	291,865	291,865
10	<b>TOTAL REVENUE</b>	50,638,941	-	50,638,941	50,638,941
11	4701 UNITED WAY GNO REQUEST	51,387	-	51,387	51,387
12	<b>GRAND TOTAL REVENUE</b>	\$ 50,690,328	\$ -	\$ 50,690,328	\$ 50,690,328
<b>EXPENSES:</b>					
13	7000 SALARIES	\$ 3,738,010	\$ 1,140,140	\$ 2,597,870	\$ 2,597,870
14	7100 BENEFITS	618,999	177,810	441,189	441,189
15	7200 TAXES	271,111	82,150	188,961	188,961
16	8400 OCCUPANCY EXPENSES	491,999	1,368	490,631	490,631
17	8700 TRAVEL & TRANSPORTATION EXP.	602,509	6,340	596,169	596,169
18	8100 OFFICE SUPPLIES	96,117	13,457	82,660	82,660
19	8600 PRINTING	68,134	3,812	64,322	64,322
20	8900 DIRECT ASSISTANCE TO INDIVIDUALS	43,747,985	91,418	43,656,567	43,656,567
21	9400 OTHER	1,878,702	621,435	1,257,267	1,257,267
22	9402 BOARD GENERATED SELF SUPPORT	803,061	401,931	401,130	401,130
23	<b>GRAND TOTAL EXPENSES</b>	\$ 52,316,627	\$ 2,539,861	\$ 49,776,766	\$ 49,776,766
24	NET DIFFERENCE	\$ (1,626,299)	\$ (2,539,861)	\$ 913,562	\$ 913,562

## EXPENSES ANALYSIS:

24-Total Direct Program Expenses	\$ 49,776,766
25-Percent of Total Program Expenses	100%
26-Distribution of M & G Expenses	\$ 2,539,861
27-Grand Total Program Expenses	\$ 52,316,627
28-Projected Undup. People Served	210,000
29-Cost per Person	\$ 249



**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, 2015, 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 8, 2015.

**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 8, 2015.

**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, 2015. 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, 2015.

### **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 8, 2015.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

For the year ended June 30, 2015

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>United States Department of Agriculture:</b>		
<u>Pass-through Programs From:</u>		
<u>Louisiana Department of Agriculture and Forestry:</u>		
Emergency Food Assistance Program (Commodities)	10.569	\$ 9,854,708
Emergency Food Assistance Program (Administrative Costs)	10.568	603,941
<u>Louisiana Department of Education:</u>		
Child and Adult Care Food Program	10.558	685,482
Summer Food Service Program	10.559	422,731
<b>United States Department of Homeland Security:</b>		
Emergency Food and Shelter National Board Program	97.024	<u>87,919</u>
Total expenditures of federal awards		<u>\$ 11,654,781</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, 2015

#### **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, 2015. 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, 2015.

##### **c. Payments to Subrecipients**

There were no payments to subrecipients for the year ended June 30, 2015.

#### **Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal revenues of \$11,654,781 are reported on the Statement of Activities as unrestricted fees and grants from federal agencies of \$1,196,132, *U.S.D.A.* commodities of \$9,854,708, and *U.S.D.A.* administration of \$603,941.

#### **Note 3 - FOOD DISTRIBUTION**

Non-monetary assistance is reported in the Schedule of Expenditures of Federal Awards at the average wholesale 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, 2015

**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  No

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)
10.559	Summer Food Service Program

Dollar threshold used to distinguish  
between Type A and Type B programs: \$349,643

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, 2015.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2015.

**Compliance and Other Matters**

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2015.

**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, 2015 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, 2015

**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, 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 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.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

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

For the year ended June 30, 2015

#### **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, 2015.

No significant deficiencies were noted during the audit of the financial statements for the fiscal year ended June 30, 2015.

##### **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, 2015.

#### **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, 2015, 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, 2015.