

*Financial Report*

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

*June 30, 2018*



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

*Financial Report*

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

*June 30, 2018*

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June 30, 2018 and 2017

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**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, 2018 and 2017 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, 2018 and 2017, 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, Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## *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 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 October 31, 2018, 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.



Certified Public Accountants.

New Orleans, Louisiana.  
October 31, 2018.

## STATEMENTS OF FINANCIAL POSITION

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

June 30, 2018 and 2017

#### ASSETS

	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 373,135	\$ 1,602,649
Contributions receivable:		
Pledges	73,471	128,191
United Way	306,236	281,425
Give NOLA	37,529	48,099
Grants receivable	1,427,596	593,379
Other receivables	151,222	87,338
Prepaid and other assets	72,474	64,504
Investments	3,023,704	2,962,768
Inventory	4,870,687	5,199,618
Derivative asset	32,921	-
	<u>10,368,975</u>	<u>10,967,971</u>
<b>Noncurrent Assets:</b>		
Pledges receivable, noncurrent	-	2,084
Property and equipment - net	10,940,506	9,817,366
Investments, permanently restricted	1,304,000	1,253,000
Other assets	22,627	22,207
	<u>12,267,133</u>	<u>11,094,657</u>
Total noncurrent assets	<u>12,267,133</u>	<u>11,094,657</u>
Total assets	<u>\$ 22,636,108</u>	<u>\$ 22,062,628</u>

See notes to financial statements.



**LIABILITIES AND NET ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 704,130	\$ 559,918
Capital lease obligations, current	74,451	-
Note payable, current	229,476	229,476
Due to Archdiocese of New Orleans	504,232	-
Derivative liability	-	67,104
Other liabilities	12,413	-
	<u>1,524,702</u>	<u>856,498</u>
<b>Noncurrent Liabilities:</b>		
Capital lease obligations, net of current amounts	425,868	-
Note payable, net of current maturities	3,365,655	3,595,131
	<u>5,316,225</u>	<u>4,451,629</u>
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	12,664,383	13,671,140
Designated	2,096,219	1,931,884
	<u>14,760,602</u>	<u>15,603,024</u>
Temporarily restricted	1,255,281	754,975
Permanently restricted	1,304,000	1,253,000
	<u>17,319,883</u>	<u>17,610,999</u>
Total net assets	<u>17,319,883</u>	<u>17,610,999</u>
Total liabilities and net assets	<u>\$ 22,636,108</u>	<u>\$ 22,062,628</u>

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

For the year ended June 30, 2018

	<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	\$ 44,300,699			\$ 44,300,699
Contributions, donations, and grants	4,708,992	\$ 960,710		5,669,702
Contributed goods and services	48,111			48,111
United Way				
Southeast Louisiana:				
Allocations		50,000		50,000
Designations	80,827			80,827
Combined Federal Campaign	26,903			26,903
St. Charles - allocations		162,800		162,800
Acadiana - allocations	4,839	33,875		38,714
St. John - allocations		30,000		30,000
Disaster				-
Other - allocations		17,896		17,896
Special events (net of direct costs of \$70,237)	329,352			329,352
Total public support	<u>49,499,723</u>	<u>1,255,281</u>	<u>-</u>	<u>50,755,004</u>
Governmental financial assistance:				
U.S.D.A. commodities	13,147,913			13,147,913
U.S.D.A. administration	759,003			759,003
H.U.D. - Community Development				
Block Grant	308,427			308,427
Fees and grants from other federal agencies	708,245			708,245
Non-Federal fees and grants	841,907			841,907
Total governmental financial assistance	<u>15,765,495</u>	<u>-</u>	<u>-</u>	<u>15,765,495</u>
<b>Other Revenue</b>				
Program generated	407,467			407,467
Investment income	250,291		\$ 122,213	372,504
Rental income	20,627			20,627
Other	175,736			175,736
Net assets released from restrictions	826,188	(754,975)	(71,213)	-
Total other revenue	<u>1,680,309</u>	<u>(754,975)</u>	<u>51,000</u>	<u>976,334</u>
Total revenue	<u>66,945,527</u>	<u>500,306</u>	<u>51,000</u>	<u>67,496,833</u>

**Exhibit B-1  
(Continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Expenses</b>				
Program services	65,354,666			65,354,666
Management and general	1,259,155			1,259,155
Fundraising	1,274,153			1,274,153
Total expenses	67,887,974	-	-	67,887,974
<b>Change in Net Assets Before Change in Liability on Interest Rate Swap Agreement</b>	(942,447)	500,306	51,000	(391,141)
Change in liability on interest rate swap agreement (Note 13)	100,025			100,025
<b>Change in Net Assets</b>	(842,422)	500,306	51,000	(291,116)
<b>Net Assets</b>				
Beginning of year	15,603,024	754,975	1,253,000	17,610,999
End of year	\$ 14,760,602	\$ 1,255,281	\$ 1,304,000	\$ 17,319,883

See notes to financial statements.

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

For the year ended June 30, 2017

	<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	\$ 50,355,361			\$ 50,355,361
Contributions, donations, and grants	6,171,435	\$ 340,850		6,512,285
Contributed goods and services	88,510			88,510
United Way				
Southeast Louisiana:				
Allocations		50,000		50,000
Designations	88,239			88,239
Combined Federal Campaign	36,014			36,014
St. Charles - allocations		162,800		162,800
Acadiana - allocations	1,563			1,563
St. John - allocations		30,000		30,000
Disaster	42,500			42,500
Other - allocations		20,000		20,000
Special events (net of direct costs of \$78,807)	290,828			290,828
	<u>57,074,450</u>	<u>603,650</u>	<u>-</u>	<u>57,678,100</u>
Total public support				
Governmental financial assistance:				
U.S.D.A. commodities	14,899,677			14,899,677
U.S.D.A. administration	800,695			800,695
Fees and grants from other federal agencies	908,519			908,519
Non-Federal fees and grants	784,797			784,797
	<u>17,393,688</u>	<u>-</u>	<u>-</u>	<u>17,393,688</u>
Total governmental financial assistance				
<b>Other Revenue</b>				
Program generated	332,472			332,472
Investment income	283,160		\$ 138,561	421,721
Rental income	343,200			343,200
Other	84,527			84,527
Net assets released from restrictions	851,040	(781,883)	(69,157)	-
	<u>1,894,399</u>	<u>(781,883)</u>	<u>69,404</u>	<u>1,181,920</u>
Total other revenue				
	<u>76,362,537</u>	<u>(178,233)</u>	<u>69,404</u>	<u>76,253,708</u>
Total revenue				

**Exhibit B-2  
(Continued)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>Expenses</b>				
Program services	72,405,221			72,405,221
Management and general	1,246,790			1,246,790
Fundraising	898,328			898,328
Total expenses	74,550,339	-	-	74,550,339
<b>Change in Net Assets Before Change in Liability on Interest Rate Swap Agreement</b>	1,812,198	(178,233)	69,404	1,703,369
Change in liability on interest rate swap agreement (Note 13)	171,464			171,464
<b>Change in Net Assets</b>	1,983,662	(178,233)	69,404	1,874,833
<b>Net Assets</b>				
Beginning of year	13,619,362	933,208	1,183,596	15,736,166
End of year	\$ 15,603,024	\$ 754,975	\$ 1,253,000	\$ 17,610,999

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, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,535,032	\$ 733,497	\$ 567,872	\$ 3,836,401
Employee benefits and taxes	645,129	164,145	125,347	934,621
Personnel development and recruitment	<u>86,648</u>	<u>25,059</u>	<u>4,198</u>	<u>115,905</u>
 Total salaries and related expenses	 3,266,809	 922,701	 697,417	 4,886,927
Food distribution	58,917,221			58,917,221
Mailings and solicitations	428,625		244,636	673,261
Occupancy	669,274			669,274
Professional fees and contract services	232,948	198,514	208,755	640,217
Transportation and freight	574,346	2,322	2,248	578,916
Depreciation	470,706	11,700		482,406
Other operating expenses	231,807	76,430	101,607	409,844
Supplies	232,317	3,981	19,490	255,788
Equipment expenses	168,909	43,507		212,416
Insurance	<u>161,704</u>			<u>161,704</u>
 Total expenses	 <u>\$ 65,354,666</u>	 <u>\$ 1,259,155</u>	 <u>\$ 1,274,153</u>	 <u>\$ 67,887,974</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 2,557,405	\$ 633,557	\$ 458,427	\$ 3,649,389
Employee benefits and taxes	675,995	192,354	105,596	973,945
Personnel development and recruitment	<u>139,158</u>	<u>60,496</u>	<u>9,429</u>	<u>209,083</u>
 Total salaries and related expenses	 3,372,558	 886,407	 573,452	 4,832,417
Food distribution	65,502,318		73,348	65,575,666
Mailings and solicitations	698,715	131	70,283	769,129
Occupancy	718,803	406	2,965	722,174
Professional fees and contract services	182,161	196,402	54,565	433,128
Transportation and freight	679,758	4,682	3,722	688,162
Depreciation	392,961	11,703		404,664
Other operating expenses	280,116	50,507	94,988	425,611
Supplies	237,692	6,061	24,651	268,404
Equipment expenses	206,156	90,491	354	297,001
Insurance	<u>133,983</u>			<u>133,983</u>
 Total expenses	 <u>\$ 72,405,221</u>	 <u>\$ 1,246,790</u>	 <u>\$ 898,328</u>	 <u>\$ 74,550,339</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (291,116)	\$ 1,874,833
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Receipts of donated product and U.S.D.A. commodities	(57,448,612)	(65,255,038)
Distributions of donated product and U.S.D.A. commodities	57,803,957	64,400,708
Donation of property	-	(35,808)
Interest accumulated on balance due to Archdiocese of New Orleans	4,232	-
Bad debt	25,269	26,832
Depreciation	482,406	404,664
Unrealized and realized gains on investments, net	(217,714)	(282,536)
(Gain) loss on sale of assets	(8,307)	31,935
Change in liability on interest rate swap agreement	(100,025)	(171,464)
Changes in assets and liabilities:		
Receivables and pledges	(880,807)	373,966
Other assets	(420)	1,404
Prepaid expenses	(7,970)	1,839
Purchased inventory	(26,414)	19,151
Accounts payable and accrued expenses	144,212	72,861
Other liabilities	12,413	(30,000)
Net cash provided by (used in) operating activities	<u>(508,896)</u>	<u>1,433,347</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(144,222)	(127,316)
Proceeds from sale of investments	250,000	-
Purchases of property and equipment	(1,036,476)	(371,840)
Proceeds from sale of property and equipment	9,000	85,500
Net cash used in investing activities	<u>(921,698)</u>	<u>(413,656)</u>



**Exhibit D  
(Continued)**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Financing Activities</b>		
Repayments of capital lease obligation	(69,444)	-
Borrowings from Archdiocese of New Orleans	500,000	-
Principal payments on notes payable	<u>(229,476)</u>	<u>(229,476)</u>
Net cash provided by (used in) financing activities	<u>201,080</u>	<u>(229,476)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,229,514)	790,215
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>1,602,649</u>	<u>812,434</u>
End of year	<u>\$ 373,135</u>	<u>\$ 1,602,649</u>
<b>Supplemental Disclosure for Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 168,037</u>	<u>\$ 150,158</u>
Property acquired through capital leases	<u>\$ 569,763</u>	<u>\$ -</u>

See notes to financial statements.

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

June 30, 2018 and 2017

**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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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 \$25,269 and \$26,832 for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, there was no reserve for bad debt.

**e. Investments**

Second Harvest records investments in the investment pool with the Catholic Foundation of the Archdiocese of New Orleans 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 \$1.68 and \$1.73 per pound for assorted donations and \$1.57 and \$1.52 per pound for food only donations for the years ended June 30, 2018 and 2017, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2018 and 2017, there was no obsolete inventory.

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

**g. Derivative Instruments**

Second Harvest has a derivative instrument that is used as a hedge to the variable interest rate loan issued by a financial institution (Note 13).

Second Harvest follows Topic 815, *Derivatives and Hedges*, which requires Second Harvest to recognize all of its derivative instruments as either assets or liabilities on the Statements of Financial Position at fair value. The accounting for the change in fair value of the derivative instrument is recognized as a component of change in unrestricted net assets in the Statements of Activities.

**h. Property and Equipment**

Second Harvest has adopted the policy of capitalizing all expenditures for depreciable assets where the unit cost exceeds \$10,000. 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, 2018 and 2017, depreciation expense totaled \$482,406 and \$404,664, respectively.

**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 Second Harvest'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, 2018 and 2017, the Operating Reserve requirements were \$2,096,219 and \$1,931,884, 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, 2018 and 2017.

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

**j. Contributions and Revenue Recognition (Continued)**

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 year ended June 30, 2018. On February 14, 2017, a new 2016 Kia Sorrento SUV valued at \$35,808 was donated to Second Harvest.

**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, 2018 and 2017, Second Harvest recognized \$22,165 and \$48,328, respectively, for donated advertising services. The related advertising costs were expensed as incurred.

The donated volunteer services in Second Harvest's functional areas were 61,230 hours for the year ended June 30, 2018 and 60,342 hours for the year ended June 30, 2017. The services provided for the years ended June 30, 2018 and 2017 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 61,230 hours for the year ended June 30, 2018 and 60,342 hours for the year ended June 30, 2017 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, 2018 and 2017 was \$1,511,769 and \$1,335,969, respectively.

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

**m. Income Taxes**

Second Harvest operates as a non-profit corporation pursuant to section 501(c)(3) of the Internal Revenue Code. As such, Second Harvest is subject to income tax only on unrelated business taxable income.

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. As of June 30, 2018 and 2017, management of Second Harvest believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years ended June 30, 2015 and later remain subject to examination by the taxing authorities.

**n. Recent Accounting Pronouncements**

In May 2015, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2015-07, Fair Value measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), which exempts investments measured using the net asset value (NAV) practical expedient in Accounting Standards Codification (ASC) 820 Fair Value Measurement, from categorization within the fair value hierarchy. The guidance requires retrospective application and was effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2015. For all other entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Accordingly, the amendment was retrospectively applied resulting in the elimination of investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures.

**o. 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 October 31, 2018, which is the date the financial statements were available to be issued.

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

**p. Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

**Note 3 - GRANTS RECEIVABLE**

The grants receivable balances as of June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Baptist Community Ministries	\$ 464,130	\$ -
Jefferson Parish - Department of Housing and Urban Development - Community Development Block Grant	308,427	-
Methodist Health System Foundation	240,000	-
Department of Education - Summer Food Service Program	155,549	198,402
Joe W. and Dorothy Dorsett Brown Foundation	100,000	100,000
U.S.D.A. distribution fees	83,658	82,339
United Healthcare	60,000	-
Walmart Foundation	6,110	6,110
City of Lafayette Consolidated Government	4,737	15,000
Other grants	4,985	11,680
Morgan Stanley Foundation	-	150,000
Department of Children and Family Services	-	19,848
Freeport McMoran	-	10,000
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 1,427,596</u>	<u>\$ 593,379</u>

**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, 2018 and 2017 consist of the following:

	2018	2017
In less than one year	\$ 73,471	\$ 128,191
One to five years	-	2,542
Totals	73,471	130,733
Unamortized discount	-	(458)
Net pledges receivable	\$ 73,471	\$ 130,275

**Note 5 - INVESTMENTS**

Investments of the various agencies of 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, 2018 and 2017:

	2018	2017
Investment balances	\$ 4,327,704	\$ 4,215,768
Unrealized gain on investments	\$ 235,914	\$ 328,975
Realized loss on investments	(18,200)	(46,439)
Interest and dividend income	217,714 154,790	282,536 139,185
Investment income	\$ 372,504	\$ 421,721

The current and long-term values of investments are \$3,023,704 and \$1,304,000, respectively, as of June 30, 2018, and \$2,962,768 and \$1,253,000, respectively, as of June 30, 2017.

**Note 6 - FAIR VALUE MEASUREMENTS**

FASB ASC 820, Fair Value Measurements and Disclosures, defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value. Fair value concepts are applied in recording investments.

FASB ASC 820 establishes a fair value hierarchy which prioritizes inputs to valuation techniques used to measure fair value. The term "inputs" refers broadly to the assumptions that market participants would use in pricing an asset or liability. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad categories. These levels include Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as the quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments of Second Harvest are held in pooled assets managed by the Archdiocese. The investments are valued on information provided by the Archdiocese. These investments are reported at NAV which approximates fair value and have no lockup provisions.

Investments measured at fair value using the NAV practical expedient have not been categorized in the fair value hierarchy and have no fixed redemption frequency, notice periods, or unfunded commitments as of June 30, 2018 and 2017.

The methods described above may produce fair value calculations 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 those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2018 and 2017, 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, 2018 and 2017 consist of the following:

	2018		2017	
	Dollars	Pounds	Dollars	Pounds
Donated and purchased	\$ 4,070,085	2,627,252	\$ 3,751,932	2,433,644
U.S.D.A. commodities	800,602	509,938	1,447,686	952,425
<b>Totals</b>	<b>\$ 4,870,687</b>	<b>3,137,190</b>	<b>\$ 5,199,618</b>	<b>3,386,069</b>

**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, 2018 and 2017 were as follows:

	2018		2017	
	Dollars	Pounds	Dollars	Pounds
<b>Receipts:</b>				
Donated product	\$ 44,300,699	26,650,747	\$ 50,355,361	29,612,322
Purchased product	987,174	1,076,639	1,273,744	990,471
U.S.D.A. commodities	13,147,913	8,374,467	14,899,677	9,802,419
<b>Totals</b>	<b>\$ 58,435,786</b>	<b>36,101,853</b>	<b>\$ 66,528,782</b>	<b>40,405,212</b>
<b>Distributions, net of adjustments:</b>				
Donated product	\$ 44,008,960	26,505,110	\$ 50,032,916	29,313,760
Purchased product	960,760	1,028,667	1,292,895	1,044,418
U.S.D.A. commodities	13,794,997	8,816,954	14,367,792	9,398,378
<b>Totals</b>	<b>\$ 58,764,717</b>	<b>36,350,731</b>	<b>\$ 65,693,603</b>	<b>39,756,556</b>

**Note 9 - PROPERTY AND EQUIPMENT**

A summary of property and equipment as of June 30, 2018 and 2017 is as follows:

	2018	2017
Building and improvements	\$ 8,969,098	\$ 8,200,262
Land	1,960,000	1,960,000
Vehicles	2,078,114	1,550,059
Furniture, fixtures, and equipment	2,149,746	1,853,495
Construction in progress	127,968	156,580
Leasehold improvements	56,843	56,843
	15,341,769	13,777,239
Less: accumulated depreciation	(4,401,263)	(3,959,873)
Totals	\$ 10,940,506	\$ 9,817,366

**Note 10 - CAPITAL LEASE OBLIGATIONS**

During the year ended June 30, 2018, Second Harvest entered into capital leasing arrangements for vehicles with varying imputed interest rates from approximately 4.5% to 5.8%. The leases require monthly payments, including interest, ranging from \$1,096 to \$1,779. The leases mature in months ranging from June 2023 through July 2024. The following is a schedule of capitalized costs and accumulated depreciation acquired through capital lease as of June 30, 2018.

Capitalized costs	\$ 569,763
Accumulated depreciation	(80,446)
Net book value	\$ 489,317

Depreciation expense on equipment acquired through the capital leases totaled \$80,446 for the year ended June 30, 2018.

Capitalized costs are included in the totals of vehicles in Note 9.

Interest expense on the capital lease obligations totaled \$26,605 for the year ended June 30, 2018.

**Note 10 - CAPITAL LEASE OBLIGATIONS (Continued)**

Future minimum payments under the capital lease obligations as of June 30, 2018 are as follows:

Year Ending June 30,	
2019	\$ 99,513
2020	99,513
2021	99,513
2022	99,513
2023	99,513
Thereafter	87,725
Total future payments	585,290
Less amount representing interest	(84,971)
Present value of net future payments	\$ 500,319

**Note 11 - 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, 2018 and 2017 are as follows:

	2018	2017
Therapeutic food pantry	\$ 704,130	\$ -
Food distribution program	246,771	225,312
Backpack program	132,000	150,000
School pantry program	101,580	247,163
Mobile pantry program	60,800	15,800
Fundraising	10,000	-
Community wellness program	-	51,700
Kids Café program	-	45,000
Cooking Matters program	-	10,000
Warehouse operations	-	10,000
Totals	\$ 1,255,281	\$ 754,975

**Note 11 - RESTRICTIONS ON NET ASSETS (Continued)**

The following temporarily restricted net assets were released during the years ended June 30, 2018 and 2017:

	2018	2017
School pantry program	\$ 247,163	\$ 240,987
Food distribution program	225,312	244,188
Backpack program	150,000	116,000
Community wellness program	51,700	32,200
Kids Café program	45,000	-
Mobile pantry program	15,800	67,600
Cooking Matters program	10,000	10,000
Warehouse operations	10,000	-
Technology	-	33,000
Food sourcing	-	19,808
Volunteers	-	10,500
Summer feeding program	-	5,000
Aquaponics	-	2,600
	\$ 754,975	\$ 781,883
Totals		

Permanently restricted net assets consist of endowment fund assets (Note 12) to be held indefinitely.

**Note 12 - 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.* 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 Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Note 12 - 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

**Note 12 - ENDOWMENT (Continued)**

Endowment net asset composition as of June 30, 2018 and 2017 is as follows:

	2018	2017
Donor-restricted	<u>\$ 1,304,000</u>	<u>\$ 1,253,000</u>

Changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	2018		
	Unrestricted	Permanently Restricted	Totals
Endowment net assets,			
Beginning of year	\$ 215,452	\$ 1,253,000	\$ 1,468,452
Earnings	2,274	135,432	137,706
Fees	(2,274)	(13,219)	(15,493)
Transfers	<u>71,213</u>	<u>(71,213)</u>	<u>-</u>
Endowment net assets, End of year	<u>\$ 286,665</u>	<u>\$ 1,304,000</u>	<u>\$ 1,590,665</u>
	2017		
	Unrestricted	Permanently Restricted	Totals
Endowment net assets,			
Beginning of year	\$ 146,295	\$ 1,183,596	\$ 1,329,891
Earnings	1,295	149,038	150,333
Fees	(1,295)	(10,477)	(11,772)
Transfers	<u>69,157</u>	<u>(69,157)</u>	<u>-</u>
Endowment net assets, End of year	<u>\$ 215,452</u>	<u>\$ 1,253,000</u>	<u>\$ 1,468,452</u>



**Note 12 - ENDOWMENT (Continued)**

*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, 2018 and 2017.

*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 13 - 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 (1.982% and 1.227% as of June 30, 2018 and 2017, respectively) based on USD-LIBOR BBA plus a base rate of 1.50% (3.482% and 2.727% as of June 30, 2018 and 2017, 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, 2018 and 2017 was \$3,595,131 and \$3,824,607, respectively.

**Note 13 - NOTES PAYABLE AND INTEREST RATE SWAP AGREEMENT (Continued)**

In conjunction with this note, Second Harvest entered into an interest rate swap agreement with the financial institution whereby the current notional amount (\$3,595,131 as of June 30, 2018) bears interest at a fixed rate of 2.25% minus a variable interest rate based on the USD-LIBOR BBA (1.982% and 1.227% as of June 30, 2018 and 2017, respectively). The swap agreement is designed to hedge the risk of changes in interest rate payments on the refinanced mortgage loan.

Second Harvest has recognized a favorable position with the counterparty in the amount of \$32,921 as a derivative asset and an unfavorable position with the counterparty in the amount of \$67,104 as a derivative liability on the Statements of Financial Position as of June 30, 2018 and 2017, respectively, and recorded unrealized gains of \$100,025 and \$171,464 on the Statements of Activities for the years ended June 30, 2018 and 2017, respectively.

Future principal and interest payments to be made on the note and swap agreement are as follows:

	Principal	Interest	Totals
2019	\$ 229,476	\$ 130,873	\$ 360,349
2020	229,476	122,268	351,744
2021	3,136,179	76,731	3,212,910
	\$ 3,595,131	\$ 329,872	\$ 3,925,003

Interest expense on the note payable and swap agreement for the years ended June 30, 2018 and 2017 was \$141,432 and \$150,158, respectively.

The mortgage agreement contains certain covenants, including the maintenance of certain financial ratios. As of June 30, 2018 and 2017, management of Second Harvest was not aware of any violations of the covenants.

**Note 14 - DUE TO ARCHDIOCESE OF NEW ORLEANS**

During the year ended June 30, 2018, Second Harvest borrowed \$500,000 from the Archdiocese of New Orleans. The loan has no stipulated repayment terms and bears interest at a variable rate. The loan bears interest at a rate of 4.6% as of June 30, 2018. Second Harvest accrued \$4,232 of unpaid interest on the loan during the year ended June 30, 2018 which was added to the loan balance.

**Note 15 - 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 75% maximum, effective July 1, 2017 (16% maximum prior to July 1, 2017). 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 administrative costs and employee benefit costs including life insurance, disability insurance, and other benefits. 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 \$197,091 (retirement \$126,529, benefits \$70,562) and \$183,008 (retirement \$116,724, benefits \$66,284), for the years ended June 30, 2018 and 2017, respectively.

**Note 16 - 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, 2018 through December 31, 2022. Monthly payments on the lease are \$8,349. Monthly lease payments were \$8,572 for the period January 1, 2013 through December 31, 2017. Second Harvest also leases four trucks under operating leases. The current lease agreements are for the period July 1, 2014 through June 30, 2025. Monthly payments on the leases are \$6,949. Rent expense for the years ended June 30, 2018 and 2017 was \$184,914 and \$172,617, respectively.

As of June 30, 2018, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amounts</u>
2019	\$ 183,575
2020	183,575
2021	183,575
2022	148,716
2023	91,650
Thereafter	<u>33,758</u>
Total	<u>\$ 824,849</u>

**Note 16 - LEASES (Continued)**

**Second Harvest as Lessor**

Second Harvest leased approximately 86,000 square feet of warehouse space in New Orleans. The lease term was for the period June 1, 2015 through May 31, 2017 and was not renewed upon expiration of the lease. During the year, Second Harvest signed a new lease for approximately 22,400 square feet of warehouse space for the period April 1, 2018 through April 30, 2021. Monthly lease payments begin at \$8,213 and escalate annually to \$8,661 in the last year of this lease. Second Harvest also leases 10,000 square feet of warehouse space for a term of four months from June 20, 2018 through October 19, 2018. Monthly lease payments are \$4,200.

Rental income was \$20,627 and \$343,200 for the years ended June 30, 2018 and 2017, respectively.

As of June 30, 2018, future rentals to be received under operating leases having an initial lease term of one year or more are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 99,120
2020	102,256
2021	<u>86,613</u>
Total	<u>\$ 287,989</u>

**Note 17 - SIGNIFICANT CONTRACTS AND GRANTS**

For the years ended June 30, 2018 and 2017, \$14,650,112 and \$16,382,194, respectively, (which includes \$743,196 and \$681,822, 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 18 - 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, 2018 and 2017.

**Note 19 - 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, 2018, the cash balance in excess of insured amounts was approximately \$196,000.

**Note 20 - 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 21 - BOARD OF DIRECTORS COMPENSATION**

The members of Second Harvest's Board were not compensated during the years ended June 30, 2018 and 2017.

**Note 22 - 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 \$224,749 and \$199,812 for general liability, property coverage, workmen's compensation, and vehicle insurances for the years ended June 30, 2018 and 2017, respectively, and \$1,914 and \$11,484 for internet service for the years ended June 30, 2018 and 2017, respectively.

**SUPPLEMENTAL INFORMATION**

**SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES PREPARED  
FOR THE UNITED WAY OF SOUTHEAST LOUISIANA**

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

For the year ended June 30, 2018  
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET 2017 - 2018		AGENCY	ADMINISTRATION FUNDRAISING	TOTAL	PROGRAM SERVICES
			Management and General	PROGRAM SERVICES	Second Harvest
		1	2	3	4
<b>REVENUE:</b>					
1	4200 BOARD GENERATED SELF SUPPORT	\$ -	\$ -	\$ -	\$ -
2	4008 4016  4031..4053 CLIENT GENERATED SELF SUPPORT	5,765,053	-	5,765,053	5,765,053
3	4061-4069 GOVERNMENT GRANTS/CONTRACTS	15,386,832	-	15,386,832	15,386,832
4	4010..4013  4017..4019 OTHER FOUNDATIONS OR NATIONAL GRANTS	304,238	-	304,238	304,238
5	4081-4450 OTHER REVENUE	1,284,760	-	1,284,760	1,284,760
6	5005-5019 IN-KIND/NON-CASH CONTRIBUTIONS	44,348,810	-	44,348,810	44,348,810
7	<b>TOTAL SELF GENERATED REVENUE</b>	<b>67,089,693</b>	<b>-</b>	<b>67,089,693</b>	<b>67,089,693</b>
8	4072 UNITED WAY DESIGNATIONS AND ALLOCATIONS	80,827	-	80,827	80,827
9	4071 CFC DESIGNATIONS	26,903	-	26,903	26,903
10	4073 4075 4076  4078 OTHER UNITED WAY GRANTS	249,410	-	249,410	249,410
11	<b>TOTAL REVENUE</b>	<b>67,446,833</b>	<b>-</b>	<b>67,446,833</b>	<b>67,446,833</b>
12	4074 UNITED WAY GNO REQUEST	50,000	-	50,000	50,000
13	<b>GRAND TOTAL REVENUE</b>	<b>\$ 67,496,833</b>	<b>\$ -</b>	<b>\$ 67,496,833</b>	<b>\$ 67,496,833</b>
<b>EXPENSES:</b>					
14	6005-6019 SALARIES	\$ 3,836,401	\$ 1,301,369	\$ 2,535,032	\$ 2,535,032
15	6020-6029 BENEFITS	655,351	196,794	458,557	458,557
16	6040-6049 TAXES	279,270	92,698	186,572	186,572
17	6300-6399 OCCUPANCY EXPENSES	669,274	-	669,274	669,274
18	6400-6499 TRAVEL and TRANSPORTATION EXPENSE	612,319	4,570	607,749	607,749
19	6500-6599 ex 6503 OFFICE SUPPLIES	100,690	23,451	77,239	77,239
20	6107-6115 PRINTING	28,325	4,127	24,198	24,198
21	6700..6849 6503 DIRECT ASSISTANCE TO INDIVIDUALS	787,667	65,509	722,158	722,158
22	6050-6106  6117-6299  6600-6699  7000-7099  7200-9999  6850-6899 OTHER	1,713,890	95,061	1,618,829	1,618,829
23	7100-7199 IN-KIND/NON-CASH CONTRIBUTIONS	58,441,270	48,111	58,393,159	58,393,159
24	6900-6999 BOARD GENERATED SELF SUPPORT	763,517	701,617	61,900	61,900
25	<b>GRAND TOTAL EXPENSES</b>	<b>\$ 67,887,974</b>	<b>\$ 2,533,307</b>	<b>\$ 65,354,667</b>	<b>\$ 65,354,667</b>
26	<b>NET DIFFERENCE</b>	<b>\$ (391,141)</b>	<b>\$ (2,533,307)</b>	<b>\$ 2,142,166</b>	<b>\$ 2,142,166</b>

EXPENSES ANALYSIS:

27-Total Direct Program Expenses	\$ 65,354,667
28-Percent of Total Program Expenses	100%
29-Distribution of M & G Expenses	\$ 2,533,307
30-Grand Total Program Expenses	\$ 67,887,974
31-Projected Undup. People Served	210,000
32-Cost per Person	\$ 323

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, 2018, 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 October 31, 2018.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

### **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.  
October 31, 2018.

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

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 Second Harvest Food Bank of Greater New Orleans and Acadiana's ("Second Harvest") (a nonprofit organization) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of Second Harvest's major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of Second Harvest's compliance.

### **Basis for Qualified Opinion on CFDA 14.218 Community Development Block Grants**

As described in the accompanying schedule of findings and questioned costs, Second Harvest did not comply with requirements regarding CFDA 14.218 Community Development Block Grants as described in finding number 2018-001 for Procurement. Compliance with such requirements is necessary, in our opinion, for Second Harvest to comply with the requirements applicable to that program.

### **Qualified Opinion on CFDA 14.218 Community Development Block Grants**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CFDA 14.218 Community Development Block Grants for the year ended June 30, 2018.

### **Unmodified Opinion on Each of the Other 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

### **Other Matters**

Second Harvest's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Second Harvest's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 the Uniform Guidance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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

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

Certified Public Accountants.

New Orleans, Louisiana.  
October 31, 2018.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

For the year ended June 30, 2018

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed-through to Subrecipients (Food Commodities)</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>			
<i>Food Distribution Cluster</i>			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 13,147,913	\$ 13,147,913
Emergency Food Assistance Program (Administrative Costs)	10.568		<u>759,003</u>
Total Food Distribution Cluster			13,906,916
<u>Louisiana Department of Education:</u>			
Child and Adult Care Food Program	10.558		156,173
Summer Food Service Program	10.559		485,933
<b>United States Department of Housing and Urban Development (HUD)</b>			
<u>Pass-through Programs From:</u>			
<u>Jefferson Parish:</u>			
Community Development Block Grants / Entitlement Grants	14.218		308,427
<b>United States Department of Homeland Security:</b>			
Emergency Food Assistance Program National Board Program	97.024		<u>66,139</u>
Total expenditures of federal awards		<u>\$ 13,147,913</u>	<u>\$ 14,923,588</u>

See accompanying notes to 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, 2018

#### **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, 2018. 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 2 to Second Harvest's financial statements for the year ended June 30, 2018.

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

There were no payments to subrecipients for the year ended June 30, 2018. Food commodities of \$13,147,913 were passed through to subrecipients

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

Federal revenues of \$14,923,588 are reported on the Statement of Activities and classified as fees and grants from other federal agencies of \$708,245, U.S. Department of Housing and Urban Development of \$308,427, U.S. Department of Agriculture commodities of \$13,147,913, and U.S. Department of Agriculture administration of \$759,003.

**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. Non-monetary assistance included on the Schedule of Expenditures of Federal Awards was \$13,147,913 for the year ended June 30, 2018.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

For the year ended June 30, 2018

**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: Qualified

- Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance?  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 (Food Commodities)
10.568	Emergency Food Assistance Program (Administrative Costs)
14.218	Community Development Block Grants / Entitlement Grants

Dollar threshold used to distinguish  
between Type A and Type B programs: \$750,000

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, 2018.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2018.

**Compliance and Other Matters**

A compliance finding material to the financial statements was reported during the audit for the year ended June 30, 2018.

**Section III - Federal Award Findings and Questioned Costs**

**Internal Control and Compliance Material to Federal Awards**

**2018-001 Information on the Federal Program**

**Federal Grantor** - U.S. Department of Housing and Urban Development  
("HUD")

## Section III - Federal Award Findings and Questioned Costs

### Internal Control and Compliance Material to Federal Awards

#### 2018-001 Information on the Federal Program (Continued)

**Program Title** - Community Development Block Grant ("CDBG")

**Federal CFDA Number** - 14.218

**Pass-Through Entity** - Jefferson Parish (the "Parish")

**Criteria** - HUD requires that subrecipients follow procurement regulations specified in 2 CFR 200.317 through 200.326 (the "procurement regulations") when spending CDBG funds.

**Condition** - In our sample of 6 project payments totaling \$305,401, Second Harvest specified brand names for equipment, obtained assistance from bidders in writing project specifications, and used competitive bidding processes. Second Harvest did not perform cost analyses or negotiate profit as a separate element of the price in these contracts.

**Context** - Our test of project payments indicates that the deficiency is systematic in nature for this grant.

**Effect** - Second Harvest was not in compliance with procurement regulations.

**Cause** - The Parish required that block grant funds be spent by April 30, 2018 to comply with the terms of the HUD CDBG that was awarded to the Parish. The Parish negotiated with Second Harvest for several months, and the parties entered into a subrecipient agreement on May 16, 2018. The agreement was retroactive to January 1, 2018 and required projects be completed by April 30, 2018. Second Harvest was unfamiliar with the procurement regulations and instead used purchasing procedures of the pass-through entity.

**Questioned Costs** - \$305,401 was known to be purchased without following procurement regulations.

**Recommendation** - We recommend that Second Harvest follow the procurement requirements in accordance with its federal grant prior to awarding building projects.

**View of Responsible Officials of the Auditee when there is Disagreement with the Finding, to the Extent Practical** - None.

**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, 2018

**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, 2017.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2017.

**Compliance and Other Matters**

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2017.

**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, 2017 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, 2017.

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

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

For the year ended June 30, 2018

#### **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, 2018.

No significant deficiencies were noted during the audit of the financial statements for the year ended June 30, 2018.

##### **Compliance and Other Matters**

A compliance finding material to the financial statements was reported during the audit for the year ended June 30, 2018. See corrective action below.

#### **Section II - Internal Control and Compliance Material to Federal Awards**

##### **Compliance**

##### **2018-001 Information on the Federal Program**

**Recommendation** - We recommend that Second Harvest follow the procurement requirements in accordance with its federal grant prior to awarding building projects.

## **Section II - Internal Control and Compliance Material to Federal Awards (Continued)**

### **Compliance (Continued)**

#### **2018-001 Information on the Federal Program (Continued)**

**Management's Response/Corrective Action** - In response to this finding, Second Harvest was following the instructions of Jefferson Parish and was working under very tight timelines in which the projects had to be bid and completed. Jefferson Parish came on site and reviewed the projects, bids, invoices and copies of the checks. The documentation was approved by Jefferson Parish and the payment was processed. Second Harvest has taken corrective actions by familiarizing itself with the federal procurement regulations and revising their procurement procedures to be in compliance with those regulations. Second Harvest will follow the procurement requirements of federal grants prior to awarding projects.

## **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

**STATEWIDE AGREED UPON PROCEDURES (R.S. 24:513)**



**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED UPON PROCEDURES**

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 performed the procedures enumerated below, which were agreed to by the management of Second Harvest Food Bank of Greater New Orleans and Acadiana ("Second Harvest") and the Louisiana Legislative Auditor, State of Louisiana, solely to assist the specified users of the report in evaluating management's assertions about the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) accompanying the annual financial statements of Second Harvest for the year ended June 30, 2018 and to determine whether the C/C areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures are free of obvious errors and omissions. Management of Second Harvest is responsible for its C/C areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures. The sufficiency of these procedures is solely the responsibility of the specified parties in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that were performed and our findings are as follows:

**Written Policies and Procedures**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

**Board (or Finance Committee, if Applicable)**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

**Bank Reconciliations**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

## Collections

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

## Non-Payroll Disbursements

### **1. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete.**

Performance: Obtained the listing of locations that process payments, and received management's representation in a separate letter. Second Harvest only has one location that processes payments.

Exceptions: There were no exceptions noted.

### **2. For each location selected under #1 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties and observe that job duties are properly segregated such that:**

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payments functions, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

- c) The employees responsible for processing payments are prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

## **Non-Payroll Disbursements (Continued)**

- d) Either the employee responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: Inspected policy manuals and inquired of management duties of mailing signed checks.

Exceptions: There were no exceptions noted.

### **3. Obtain Second Harvest's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select 25 disbursements, obtain supporting documentation for each transaction and:**

Performance: Obtained Second Harvest's general ledger for the fiscal period, and verified management's representation that the population of disbursements are complete in a separate letter.

Exceptions: There were no exceptions noted.

- a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: 17 of the 25 disbursements were for services provided. Since no goods were received for these disbursements, there were no related receiving reports. For these 17 disbursements, we obtained documentation of the purchase orders and invoices. For the 8 disbursements for goods, we obtained documentation of the purchase orders, receiving reports, and invoices.

Exceptions: There were no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #2, as applicable.

Performance: Obtained the disbursement documentation and observed for proper segregation of duties.

Exceptions: There were no exceptions noted.

### **Procedures performed on Second Harvest's credit cards, debit cards, fuel cards, P-cards:**

#### **4. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.**

Performance: Obtained a listing of all active credit cards from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

**Procedures performed on Second Harvest's credit cards, debit cards, fuel cards, P-cards:  
(Continued)**

**5. Using the listing prepared by management, select 5 cards that were used during the fiscal period, rotating cards each year. Select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:**

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Performance: Obtained September's statement for the credit cards selected along with supporting documentation and observed for proper approval.

Exceptions: There were no exceptions noted.

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.

Performance: Obtained September's statement for the credit cards selected and observed for finance charges and/or late fees. There were no finance charges or late fees assessed.

Exceptions: There were no exceptions noted.

**6. Using the monthly statements or combined statements selected under #5 above, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions.**

- a) For each transaction, report whether the transaction is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

Performance: There were 142 total charges on the combined credit card statement selected in Step #5. Of the 142 charges, 15 did not include an original itemized receipt. However, each charge without an itemized receipt was accompanied by a memo from the person making the charge which documented the price and the business purpose of the charge.

Exceptions: There were no exceptions noted.

- 2) Written documentation of the business/public purpose.

Performance: Observed supporting documentation for evidence of business/public purpose.

Exceptions: There were no exceptions noted.

**Procedures performed on Second Harvest's credit cards, debit cards, fuel cards, P-cards:  
(Continued)**

- 3) Documentation of the individuals participating in meals (for meal charges only).

Performance: All meal charges were supported with a receipt or with a memo from the person making the charge which documented the price and business purpose of the charge.

Exceptions: There were no exceptions noted.

**Travel and Expense Reimbursement**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

**Contracts**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

**Payroll and Personnel**

Testing is not applicable as there were no findings in the SAUPs for the year ended June 30, 2017.

**Other**

- 7. Obtain a listing of misappropriations of public funds or assets during the fiscal period, and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that Second Harvest reported the misappropriations(s) to the legislative auditor and district attorney of the parish in which Second Harvest is domiciled.**

Performance: Inquired of management and reviewed various audit documentation for any signs of misappropriations of public funds or assets.

Exceptions: There were no exceptions noted.

- 8. Observe and report whether Second Harvest has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.lla.la.gov/hotline](http://www.lla.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.**

Performance: We verified that Second Harvest has posted on its premises the notice required by R.S. 24:523.1. The notice was not presented on Second Harvest's website. Second Harvest's management has represented that the notice has been subsequently posted on its website.

Exceptions: Exception noted.

**Other (Continued)**

**9. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.**

We did not observe or otherwise identify any exceptions regarding management's representations in the procedures above.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. We are not engaged to, and did not perform an examination, or review, the objective of which would be the expression of an opinion or conclusion, respectively, on management's assertions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Second Harvest, the Louisiana Legislature, and the Louisiana Legislative Auditor, and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

Certified Public Accountants.

New Orleans, Louisiana,  
October 31, 2018.