

Financial Report

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

June 30, 2023



Financial Report

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Greater New Orleans and Acadiana*

June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR’S REPORT

To Most Reverend Gregory Aymond, Archbishop
and Board of Directors,
Second Harvest Food Bank of Greater New Orleans and Acadiana,
New Orleans, Louisiana.

Report on the Audits of the Financial Statements

Opinion

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, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Second Harvest as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Second Harvest and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Second Harvest's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Reports on Supplementary Information

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

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. The 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 in Schedule 1. The supplemental information in Schedule 1 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 January 3, 2024, 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.
January 3, 2024.

STATEMENTS OF FINANCIAL POSITION

Second Harvest Food Bank of Greater New Orleans and Acadiana

New Orleans, Louisiana

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents	\$ 3,193,319	\$ 4,811,974
Contributions receivable:		
Pledges	1,384,376	1,585,156
United Way	255,800	275,067
Grants receivable	1,418,252	1,768,959
Other receivables	504,310	536,746
Prepaid and other assets	173,055	87,645
Investments	45,286,242	46,354,850
Inventory	3,524,594	9,306,050
	<u>55,739,948</u>	<u>64,726,447</u>
Total current assets		
	<u>55,739,948</u>	<u>64,726,447</u>
Noncurrent Assets		
Pledges receivable, noncurrent	1,339,048	1,558,603
Property and equipment - net	26,985,470	23,103,084
Finance lease right-of-use assets	1,429,180	233,260
Operating lease right-of-use assets	176,402	-
Investments	1,299,146	1,228,935
Other assets	39,308	191,327
	<u>31,268,554</u>	<u>26,315,209</u>
Total noncurrent assets		
	<u>31,268,554</u>	<u>26,315,209</u>
Total assets	<u>\$ 87,008,502</u>	<u>\$ 91,041,656</u>

See notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current Liabilities		
Accounts payable and accrued expenses	\$ 2,209,215	\$ 2,557,526
Finance lease obligations, current	366,681	112,782
Operating lease obligations, current	55,560	-
Other liabilities	-	16,875
	<u>2,631,456</u>	<u>2,687,183</u>
Noncurrent Liabilities		
Finance lease obligations, net of current portion	1,083,632	147,391
Operating lease obligations, net of current portion	120,842	-
	<u>3,835,930</u>	<u>2,834,574</u>
Net Assets		
Without donor restrictions:		
Designated	8,384,825	7,061,946
Undesignated	43,797,648	49,350,626
	<u>52,182,473</u>	<u>56,412,572</u>
With donor restrictions	<u>30,990,099</u>	<u>31,794,510</u>
	<u>83,172,572</u>	<u>88,207,082</u>
Total liabilities and net assets	<u>\$ 87,008,502</u>	<u>\$ 91,041,656</u>

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

For the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Public support:			
Donations of food, grocery, and other products from producers and brokers	\$ 47,574,054	\$ -	\$ 47,574,054
Contributions, donations, and grants	11,691,776	2,863,621	14,555,397
Contributed goods and services	201,011	-	201,011
United Way			
Southeast Louisiana:			
Allocations	-	50,000	50,000
Designations	41,378	-	41,378
St. Charles - allocations	-	165,800	165,800
Acadiana - allocations	-	40,000	40,000
St. John - allocations	28,750	-	28,750
Other - allocations	19,891	-	19,891
Special events	420,408	-	420,408
	<u>59,977,268</u>	<u>3,119,421</u>	<u>63,096,689</u>
Governmental financial assistance:			
U.S.D.A. commodities	16,104,587	-	16,104,587
U.S.D.A. administration	1,858,497	-	1,858,497
Fees and grants from other federal agencies	1,646,236	462,889	2,109,125
Non-Federal fees and grants	2,179,535	-	2,179,535
	<u>21,788,855</u>	<u>462,889</u>	<u>22,251,744</u>
Total governmental financial assistance	<u>21,788,855</u>	<u>462,889</u>	<u>22,251,744</u>

**Exhibit B-1
(Continued)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Other Revenue			
Program generated	814,848	25,000	839,848
Investment income	1,555,471	168,487	1,723,958
Other	71,889	-	71,889
Net assets released from restrictions	4,580,208	(4,580,208)	-
	<u>7,022,416</u>	<u>(4,386,721)</u>	<u>2,635,695</u>
Total other revenue			
	<u>88,788,539</u>	<u>(804,411)</u>	<u>87,984,128</u>
Total revenue			
Expenses			
Program services	87,156,522	-	87,156,522
Management and general	2,759,616	-	2,759,616
Fundraising	3,102,500	-	3,102,500
	<u>93,018,638</u>	<u>-</u>	<u>93,018,638</u>
Total expenses			
Change in Net Assets	(4,230,099)	(804,411)	(5,034,510)
Net Assets			
Beginning of year	<u>56,412,572</u>	<u>31,794,510</u>	<u>88,207,082</u>
End of year	<u>\$ 52,182,473</u>	<u>\$ 30,990,099</u>	<u>\$ 83,172,572</u>

See notes to financial statements.

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

For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Public support:			
Donations of food, grocery, and other products from producers and brokers	\$ 54,947,677	\$ -	\$ 54,947,677
Contributions, donations, and grants	20,431,783	2,635,169	23,066,952
Contributed goods and services	534,292	-	534,292
United Way			
Southeast Louisiana:			
Allocations	-	50,000	50,000
Designations	33,594	-	33,594
St. Charles - allocations	-	170,800	170,800
Acadiana - allocations	114	25,800	25,914
St. John - allocations	11,250	-	11,250
Other - allocations	18,531	-	18,531
Special events	391,531	-	391,531
	<u>76,368,772</u>	<u>2,881,769</u>	<u>79,250,541</u>
Total public support			
Governmental financial assistance:			
U.S.D.A. commodities	29,930,616	-	29,930,616
U.S.D.A. administration	2,701,993	-	2,701,993
Fees and grants from other federal agencies	556,817	714,107	1,270,924
Non-Federal fees and grants	404,343	-	404,343
	<u>33,593,769</u>	<u>714,107</u>	<u>34,307,876</u>
Total governmental financial assistance			

**Exhibit B-2
(Continued)**

	Without Donor Restrictions	With Donor Restrictions	Totals
Other Revenue			
Program generated	1,354,045	-	1,354,045
Investment loss	(3,177,434)	(238,715)	(3,416,149)
Rental income	86,613	-	86,613
Other	149,312	-	149,312
Net assets released from restrictions	4,778,420	(4,778,420)	-
	<u>3,190,956</u>	<u>(5,017,135)</u>	<u>(1,826,179)</u>
Total other revenue			
	<u>113,153,497</u>	<u>(1,421,259)</u>	<u>111,732,238</u>
Total revenue			
Expenses			
Program services	95,363,771	-	95,363,771
Management and general	1,671,127	-	1,671,127
Fundraising	2,268,887	-	2,268,887
	<u>99,303,785</u>	<u>-</u>	<u>99,303,785</u>
Total expenses			
Change in Net Assets	13,849,712	(1,421,259)	12,428,453
Net Assets			
Beginning of year	42,562,860	33,215,769	75,778,629
End of year	<u>\$ 56,412,572</u>	<u>\$ 31,794,510</u>	<u>\$ 88,207,082</u>

See notes to financial statements.

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

For the year ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 4,020,532	\$ 1,193,853	\$ 1,113,873	\$ 6,328,258
Employee benefits and taxes	1,024,607	329,632	221,046	1,575,285
Personnel development and recruitment	<u>122,522</u>	<u>285,454</u>	<u>10,930</u>	<u>418,906</u>
Total salaries and related expenses	5,167,661	1,808,939	1,345,849	8,322,449
Food distribution	75,911,070	-	-	75,911,070
Mailings and solicitations	573,829	-	916,799	1,490,628
Professional fees and contract services	344,426	625,667	430,377	1,400,470
Occupancy	1,262,780	1,849	-	1,264,629
Depreciation and amortization	1,180,869	70,213	-	1,251,082
Other operating expenses	627,711	124,666	213,161	965,538
Transportation and freight	878,205	6,983	11,378	896,566
Supplies	454,578	31,321	40,522	526,421
Equipment expenses	367,436	88,478	6,464	462,378
Insurance	387,957	1,500	139	389,596
Special events	<u>-</u>	<u>-</u>	<u>137,811</u>	<u>137,811</u>
Total expenses	<u>\$ 87,156,522</u>	<u>\$ 2,759,616</u>	<u>\$ 3,102,500</u>	<u>\$ 93,018,638</u>

See notes to financial statements.

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

For the year ended June 30, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 4,463,433	\$ 988,847	\$ 772,445	\$ 6,224,725
Employee benefits and taxes	1,056,472	261,882	151,557	1,469,911
Personnel development and recruitment	<u>165,009</u>	<u>42,676</u>	<u>12,681</u>	<u>220,366</u>
Total salaries and related expenses	5,684,914	1,293,405	936,683	7,915,002
Food distribution	84,510,150	-	-	84,510,150
Mailings and solicitations	406,558	-	774,097	1,180,655
Professional fees and contract services	704,929	65,223	199,813	969,965
Transportation and freight	862,353	788	36,955	900,096
Occupancy	866,266	-	151	866,417
Other operating expenses	322,852	272,881	171,035	766,768
Depreciation and amortization	674,595	-	20,592	695,187
Supplies	605,115	7,034	16,037	628,186
Equipment expenses	436,287	20,876	2,587	459,750
Insurance	289,752	10,920	30	300,702
Special events	<u>-</u>	<u>-</u>	<u>110,907</u>	<u>110,907</u>
Total expenses	<u>\$ 95,363,771</u>	<u>\$ 1,671,127</u>	<u>\$ 2,268,887</u>	<u>\$ 99,303,785</u>

See notes to financial statements.

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

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (5,034,510)	\$ 12,428,453
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receipts of donated product and U.S.D.A. commodities	(63,678,641)	(84,878,293)
Distributions of donated product and U.S.D.A. commodities	69,815,579	80,534,229
Depreciation	1,117,668	591,310
Amortization	133,414	103,877
Unrealized and realized losses on investments, net	9,982	3,956,918
(Gain) loss on sale of assets	38,940	(590)
Bad debt expense	50,000	-
Revenues restricted for the acquisition of property and equipment:		
Capital campaign contributions	(1,264,118)	(1,783,429)
Donated investments	(170,867)	(51,024)
Changes in assets and liabilities:		
Receivables and pledges	352,409	(1,512,917)
Other assets	152,019	(166,720)
Prepaid expenses	(85,410)	(5,423)
Inventory	(355,482)	70,056
Accounts payable and accrued expenses	197,861	(743,764)
Other liabilities	(16,875)	8,662
	<u>1,261,969</u>	<u>8,551,345</u>

**Exhibit D
(Continued)**

	2023	2022
Cash Flows From Investing Activities		
Purchases of investments	(19,113,320)	(12,148,518)
Proceeds from sale of investments	20,272,602	4,121,932
Purchases of property and equipment	(4,291,518)	(6,203,524)
Proceeds from sale of property and equipment	17,000	28,482
Net cash used in investing activities	(3,115,236)	(14,201,628)
Cash Flows From Financing Activities		
Collections of capital campaign contributions restricted for the acquisition of property and equipment	1,684,454	3,330,306
Repayments of finance lease obligation	(139,194)	(106,992)
Payment of accounts payable used to finance acquisition of property and equipment	(1,310,648)	-
Net cash provided by financing activities	234,612	3,223,314
Net Decrease in Cash and Cash Equivalents	(1,618,655)	(2,426,969)
Cash and Cash Equivalents		
Beginning of year	4,811,974	7,238,943
End of year	\$ 3,193,319	\$ 4,811,974
Supplemental Disclosure for Cash Flow Information		
Cash paid during the year for interest	\$ 22,163	\$ 16,825
Supplemental Disclosure of Noncash Investing and Financing Activities		
Property and equipment purchases included in accounts payable	\$ 764,476	\$ 1,310,648
Finance right-of-use assets obtained in exchange for new finance lease obligations	\$ 1,429,180	\$ -
Operating right-of-use assets obtained in exchange for new operating lease obligations	\$ 176,402	\$ -

See notes to financial statements.

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

June 30, 2023 and 2022

Note 1 - NATURE OF ACTIVITIES

Second Harvest Food Bank of Greater New Orleans and Acadiana (“Second Harvest”), a Louisiana non-profit corporation, is a ministry of the Roman Catholic Church of the Archdiocese of New Orleans and 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 was \$50,000 for the year ended June 30, 2023. There was no bad debt expense for the year ended June 30, 2022. As of June 30, 2023 and 2022, there was no reserve for bad debt.

e. Investments

Second Harvest records investments in mutual funds held with separate brokerage firms, and in the investment pool with the Catholic Community Foundation of the Archdiocese of New Orleans (the "Foundation") at their fair market 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 net assets without donor restrictions unless their use is 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.

Investments held with the Foundation are included with the investments of the various agencies of the Archdiocese that are held in pooled assets and separately invested portfolios with the Foundation. 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.

f. Fair Value Measurements

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Fair Value Measurements (Continued)

The framework for measuring fair value provides a fair value hierarchy which 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 Topic 820, *Fair Value Measurements*, are described as follows:

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.

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;
- 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'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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2023 and 2022.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Fair Value Measurements (Continued)

- *Mutual Funds*: Second Harvest uses the market approach for valuing mutual funds which are within Level 1 of the fair value hierarchy. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.
- *Pooled Investments with the Foundation*: Certain investments of Second Harvest are held in pooled assets managed by the Foundation. The investments are valued on information provided by the Foundation. These investments are reported at net asset value (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.

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.

g. 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 \$1.93 and \$1.92 per pound for assorted donations and \$1.57 and \$1.53 per pound for food only donations for the years ended June 30, 2023 and 2022, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2023 and 2022, there was no obsolete inventory.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property and Equipment

Purchased property and equipment is stated at cost. Donated property and equipment is stated at fair market value on the date of donation. 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, 2023 and 2022, depreciation expense totaled \$1,117,668 and \$591,310 respectively.

i. Right-of-Use Asset and Lease Liabilities

Right-of-use (ROU) assets represent Second Harvest's right to use the underlying assets for the lease term, and lease liabilities represent the net present value of Second Harvest's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using Second Harvest's incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain Second Harvest will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. Finance lease expense is recognized as amortization of the right-of-use asset and interest expense. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying Statement of Financial Position.

Second Harvest has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard.

The weighted-average discount rate is based on the discount rate implicit in the lease. Second Harvest has elected the option to use the incremental borrowing rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

j. Financial Statement Presentation

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Support, revenue, and expenses for general operations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Financial Statement Presentation (Continued)

Net Assets With Donor Restrictions - Contributions specifically authorized by the grantor or donor to be used for a certain purpose or to benefit a specific accounting period or contributions subject to donor-imposed restrictions and that are to be held in perpetuity by Second Harvest.

k. Contributions and Revenue Recognition

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in net assets with donor restrictions. Other support and/or contributions not restricted are recorded as net assets without donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as support without donor restrictions. The value of contributed goods and services has been recorded as revenue and other support 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 receivables 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, 2023 and 2022.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Such donations are reported as support without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Second Harvest recorded donated investments totaling \$170,867 and \$51,024 for the years ended June 30, 2023 and 2022, respectively.

l. Functional Allocation of Expenses

Most of the expenses can be directly allocated to programs or supporting functions. The financial statements also report certain categories of expenses that are attributable to both programs and supporting functions. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, and taxes which are allocated based on the number of employees by program or supporting function and mailings and solicitations which are allocated based on the portion attributable to each function.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. 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.

The donated volunteer services in Second Harvest's functional areas were 54,320 hours for the year ended June 30, 2023 and 69,474 hours for the year ended June 30, 2022. The services provided for the years ended June 30, 2023 and 2022 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 54,320 hours for the year ended June 30, 2023 and 69,474 hours for the year ended June 30, 2022 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, 2023 and 2022 was \$1,487,825 and \$1,829,250, respectively.

n. 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, 2023, 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, 2020 and later remain subject to examination by the taxing authorities.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards

Leases

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, “*Leases*” (Topic 842). ASU No. 2016-02 requires that a lease liability and related right-of-use asset representing the lessee’s right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the Statements of Activities and the Statements of Cash Flows will be substantially unchanged from the existing lease accounting guidance.

Second Harvest has adopted ASU 2016-02 for the year ended June 30, 2023. The key change upon adoption of the standard was the recognition of operating leases on the Statement of Financial Position, given that the recognition of lease expense on the Statement of Activities is similar to Second Harvest’s historical accounting. Second Harvest elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed Second Harvest to carry forward the historical lease classification. Leases with original terms of one year or less were excluded (“short-term leases”). Additionally, Second Harvest elected to not separate lease and non-lease components for certain assets. The accounting for finance leases did not change from the prior accounting for capital leases.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards (Continued)

Leases (Continued)

The impact of adopting the new standard as of June 30, 2023 is as follows:

	<u>Opening Balance Reported Under Former Guidance</u>	<u>Effects of Applying New Guidance</u>	<u>Amounts Reported Under New Guidance</u>
Noncurrent Assets			
Operating lease			
right-of-use assets	\$ -	\$ 176,402	\$ 176,402
Finance lease			
right-of-use assets	<u>-</u>	<u>1,429,180</u>	<u>1,429,180</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ 1,605,582</u>	<u>\$ 1,605,582</u>
Current Liabilities			
Current portion of operating lease liability	\$ -	\$ 55,560	\$ 55,560
Current portion of finance lease liability	<u>-</u>	<u>366,681</u>	<u>366,681</u>
Total current liabilities	<u>\$ -</u>	<u>\$ 422,241</u>	<u>\$ 422,241</u>
Noncurrent Liabilities			
Operating lease liability, net of current portion	\$ -	\$ 120,842	\$ 120,842
Finance lease liability, net of current portion	<u>-</u>	<u>1,083,632</u>	<u>1,083,632</u>
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 1,204,474</u>	<u>\$ 1,204,474</u>

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Recently Issued Accounting Standards (Continued)

Lease Discount Rate

In November 2021, the FASB issued ASU No. 2021-09, “*Leases*” (Topic 842) “*Discount Rate for Lessees That Are Not Public Business Entities*”. Topic 842 currently provides lessees that are not public business entities with a practical expedient that allows them to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The amendments in this update allow those lessees to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose which asset classes it has elected to apply a risk-free rate. The amendments require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. Second Harvest did not elect to apply the risk-free rate in calculating lease transactions, and instead used their incremental borrowing rate.

p. Reclassifications

Certain amounts in the 2022 financial statements have been reclassified to conform to the 2023 financial statement presentation.

q. 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 January 3, 2024, which is the date the financial statements were available to be issued.

Note 3 - GRANTS RECEIVABLE

The grants receivable balances as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
U.S.D.A. distribution fees	\$ 336,856	\$ 826,167
Methodist Health System	200,000	-
Other grants	229,391	204,642
Department of Education - Summer Food Service Program	221,129	109,816
Feeding America	169,170	-
Kid's Café	120,389	9,474
CARES/Emergency Food and Shelter Program	72,667	491,099
Department of Children and Family Services	<u>68,650</u>	<u>127,761</u>
Totals	<u>\$ 1,418,252</u>	<u>\$ 1,768,959</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.

Pledges receivable as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
In less than one year	\$ 1,384,376	\$ 1,585,156
One to five years	<u>1,436,000</u>	<u>1,710,900</u>
Totals	2,820,376	3,296,056
Unamortized discount	<u>(96,952)</u>	<u>(152,297)</u>
Net pledges receivable	<u>\$ 2,723,424</u>	<u>\$ 3,143,759</u>

Second Harvest started a capital campaign during the year ended June 30, 2019 to help fund capacity-building improvements and renovations to its existing food warehouse. The pledges receivable balance includes approximately \$2,695,000 and \$3,230,000 of capital campaign pledges before the unamortized discount as of June 30, 2023 and 2022, respectively.

Note 5 - INVESTMENTS

The following summarizes the market value of investments and the investment return as of and for the years ended June 30, 2023 and 2022:

	2023	2022
Investments:		
Pooled assets held with the Foundation	\$ 8,597,349	\$ 7,850,586
Mutual funds	37,988,039	39,733,199
Totals	\$46,585,388	\$47,583,785
Unrealized gain (loss) on investments	\$ 2,416,942	\$ (3,688,546)
Realized loss on investments	(2,406,960)	(268,372)
	9,982	(3,956,918)
Interest and dividend income	1,713,976	540,769
Investment income (loss)	\$ 1,723,958	\$ (3,416,149)

The current and long-term values of investments are \$45,286,242 and \$1,299,146, respectively, as of June 30, 2023, and \$46,354,850 and \$1,228,935, respectively, as of June 30, 2022.

The following tables set forth by level within the fair value hierarchy Second Harvest's investments as of June 30, 2023 and 2022:

Description	Based on			2023 Totals
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds	\$ 37,988,039	\$ -	\$ -	\$ 37,988,039
Investments measured as net asset value				8,597,349
Investments, at fair value				\$46,585,388

Note 6 - FAIR VALUE MEASUREMENTS

Description	Based on			2022 Totals
	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Mutual funds	<u>\$ 39,733,199</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 39,733,199
Investments measured as net asset value				<u>7,850,586</u>
Investments, at fair value				<u>\$ 47,583,785</u>

As of June 30, 2023 and 2022, 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, 2023 and 2022 consist of the following:

	2023		2022	
	Dollars	Pounds	Dollars	Pounds
Donated and purchased U.S.D.A. commodities	\$ 2,837,493	1,878,026	\$ 2,901,089	1,988,785
	<u>687,101</u>	<u>551,956</u>	<u>6,404,961</u>	<u>4,193,905</u>
Totals	<u>\$ 3,524,594</u>	<u>2,429,982</u>	<u>\$ 9,306,050</u>	<u>6,182,690</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, 2023 and 2022 were as follows:

	2023		2022	
	Dollars	Pounds	Dollars	Pounds
Receipts:				
Donated product	\$ 47,574,054	25,124,554	\$ 54,947,677	29,218,257
Purchased product	6,082,639	3,653,993	3,245,150	2,408,162
U.S.D.A. commodities	16,104,587	10,257,699	29,930,616	19,562,494
Totals	\$ 69,761,280	39,036,246	\$ 88,123,443	51,188,913
Distributions, net of adjustments:				
Donated product	\$ 47,993,132	25,386,089	\$ 56,034,380	29,811,567
Purchased product	5,727,157	3,503,217	3,315,206	2,463,909
U.S.D.A. commodities	21,822,447	13,899,648	24,499,849	16,012,973
Totals	\$ 75,542,736	42,788,954	\$ 83,849,435	48,288,449

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2023 and 2022 is as follows:

	2023	2022
Building and improvements	\$ 23,637,838	\$ 9,152,986
Land and improvements	2,236,627	1,960,000
Vehicles	1,777,557	2,113,003
Furniture, fixtures, and equipment	5,510,936	3,436,948
Construction in progress	174,778	12,419,924
Leasehold improvements	91,080	56,843
	33,428,816	29,139,704
Less: accumulated depreciation	(6,443,346)	(6,036,620)
Totals	\$ 26,985,470	\$ 23,103,084

Note 10 - LEASES

Operating Leases - Second Harvest as Lessee

Second Harvest leases warehouse and office space in Lafayette under an operating lease. The lease agreement for Lafayette was originally for the period January 1, 2018 through December 31, 2022, and is now operating on a month-to-month basis. Monthly payments on the lease are \$8,349. Second Harvest leases a separate kitchen space in Lafayette under an operating lease. The current lease agreement is for the period June 30, 2022 through June 29, 2027. Monthly payments on the lease are \$3,200. Second Harvest also leases five copier machines and a printer under operating leases with varying expiration dates through April 2028. Monthly payments on the leases are \$1,754.

Operating leases reported under FASB ASC 842 for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Lease cost		
Operating lease costs	<u>\$ 29,011</u>	<u>\$ 15,556</u>
Operating lease right-of-use assets	<u>\$ 176,402</u>	<u>\$ -</u>
Operating lease liabilities	<u>\$ 176,402</u>	<u>\$ -</u>
Weighted-average information		
Weighted-average remaining lease term in years	4.67	N/A
Weighted-average discount rate:		
Operating leases	4.16%	N/A

Note 10 - LEASES (Continued)

Operating Leases - Second Harvest as Lessee (Continued)

As of June 30, 2023, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

Year Ending June 30,	
2024	\$ 55,560
2025	43,896
2026	43,896
2027	43,896
2028	4,122
Total minimum lease payments	191,370
Less amount representing interest	(14,968)
Present value of operating lease liabilities	176,402
Less current maturities	(55,560)
Operating lease liabilities net of current maturities	\$ 120,842

Operating Leases - Second Harvest as Lessor

Second Harvest leased approximately 22,400 square feet of warehouse space to a tenant for the period April 1, 2018 through April 30, 2022, with monthly receipts of \$8,661.

No lease income was received for the year ended June 30, 2023. Lease income was \$86,613 for the year ended June 30, 2022.

Finance Leases

Second Harvest has finance leasing arrangements for vehicles with varying interest rates ranging from 4.5% to 9.6%. The leases require monthly payments, including interest, ranging from \$1,196 to \$3,200. The leases mature in months ranging from December 2023 through June 2030.

Note 10 - LEASES (Continued)

Finance Leases (Continued)

Finance leases reported under FASB ASC 842 for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Finance lease cost:		
Amortization of right-of-use assets	\$ 133,414	\$ 103,877
Interest on lease obligations	22,163	16,825
Total finance lease cost	\$ 155,577	\$ 120,702
Finance lease right-of-use assets	\$ 1,429,180	\$ 233,259
Finance lease liabilities	\$ 1,450,313	\$ 260,173
Weighted-average information		
Weighted-average remaining lease term in years	4.25	2.45
Weighted-average discount rate:		
Finance leases	7.43%	5.33%

Future minimum lease payments under finance leases as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	\$ 366,681
2025	310,538
2026	268,717
2027	250,489
2028	250,489
Thereafter	461,845
Total future payments	1,908,759
Less amount representing interest	(458,446)
Present value of net future payments	\$ 1,450,313

Note 11 - DUE TO ARCHDIOCESE OF NEW ORLEANS

On July 1, 2020, Second Harvest secured a \$2,000,000 line of credit with the Archdiocese. The line of credit has no stipulated repayment terms and bears an interest rate of 4.6%. The line of credit matures on June 30, 2025. There was no activity related to this line of credit for the years ended June 30, 2023 and 2022.

Note 12 - DESIGNATION OF NET ASSETS WITHOUT DONOR RESTRICTIONS

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 is supported by investments in the form of cash deposits or publicly traded investments to be available based on Finance Committee recommendations and Board of Directors' approvals. As of June 30, 2023 and 2022, the Operating Reserve requirements were \$8,384,825 and \$7,061,946, respectively.

Note 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes.

	2023	2022
Subject to expenditure for specified purpose:		
Sustainability and long-term strategic goals	\$ 24,455,380	\$ 25,000,000
Capital campaign (see Note 4)	2,695,375	3,230,981
Food distribution program	1,234,231	1,064,994
Equitable food access	553,750	-
Backpack program	143,500	148,500
Community accelerator	120,622	113,899
Services insights	87,939	-
School pantry program	78,910	91,069
Capital	75,000	90,000
Disaster relief	56,916	-
Agency relations	47,281	235,697
Summer feeding program	31,400	5,267
Mobile market program	25,000	250,000
Kids Café program	25,000	1,667
Mobile pantry program	20,000	17,392
Human resources	6,600	-
Food rescue program	5,000	-
Senior program	-	144,086
LA collaborative	-	106,948
Subject to passage of time:		
Unconditional promises to give	29,049	65,075
	29,690,953	30,565,575
Endowment fund	1,299,146	1,228,935
Total net assets with donor restrictions	\$ 30,990,099	\$ 31,794,510

In December 2020, Second Harvest received a \$25,000,000 grant from a donor advised fund at the Chicago Community Foundation. The purpose of this grant is to ensure Second Harvest’s sustainability to serve South Louisiana into the future and fund the food bank’s long-term strategic goals across its 23 parish service area. The funds have been placed in short-term investments (see Note 5) while Second Harvest works to develop a framework for use of these funds in support of the donor’s intent. During fiscal 2023, \$13,000,000 of the grant has been invested in the endowment net assets with donor restrictions (see Note 14) for sustainability and long-term strategic growth. While there exists an annual reporting requirement for a three year period, there is no time restriction related to fulfilling the purpose of this grant.

Note 13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

During the years ended June 30, 2023 and 2022, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or passage of time specified by donors.

	2023	2022
Capital campaign	\$ 1,799,724	\$ 3,397,553
Food distribution program	991,751	401,786
Sustainability	544,619	-
Mobile market program	250,000	164,041
Backpack program	148,500	149,368
Senior program	144,086	-
Equitable food access	125,382	-
LA collaborative	106,948	229,991
Transfer from endowment	98,276	93,641
School pantry program	91,069	50,485
Disaster relief	50,000	15,000
Community accelerator	49,000	-
Capital	45,000	15,000
Services insights	44,549	-
Other pledges	36,026	31,793
Agency relations	30,952	62,819
Mobile pantry program	17,392	102,109
Summer feeding program	5,267	63,168
Kids Café program	1,667	1,666
Totals	\$ 4,580,208	\$ 4,778,420

Note 14 - ENDOWMENT

The Board of Directors (the “Board”) of Second Harvest has a strong fiduciary duty to manage the assets of Second Harvest’s endowment and believes it should be done in a prudent manner. 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 net assets without donor restrictions.

The Endowments. Second Harvest’s endowment fund includes a 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 14 - 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 not be reduced below \$1,000,000.

During the year ended June 30, 2023, \$13,000,000 of a grant received in December 2020 for sustainability and long-term strategic growth (see Note 13) was added to the endowment net assets with donor restrictions.

Interpretation of Relevant Law. Second Harvest is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets cannot be spent, except as distributed according to the preceding paragraph. Second Harvest has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to the endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Second Harvest considers a fund to be underwater if the fair value of the fund is less than the sum of:

- the original value of initial and subsequent gift amounts donated to the fund, 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 net assets with donor restrictions is classified as net assets without donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, 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 14 - ENDOWMENT (Continued)

The composition of endowment net assets with donor restrictions as of June 30, 2023 and 2022 is as follows:

	2023	2022
Original donor-restricted gift amount restricted for sustainability and long-term strategic goals	\$ 13,000,000	\$ -
Original donor-restricted gift amount required to be maintained in perpetuity by donor	1,000,000	1,000,000
Accumulated investment gains	299,146	228,935
With donor restrictions	\$ 14,299,146	\$ 1,228,935

Changes in endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	2023		Totals
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, Beginning of year	\$ 621,843	\$ 1,228,935	\$ 1,850,778
Additions (see Note 13)	-	13,000,000	13,000,000
Earnings	856,481	179,417	1,035,898
Fees	(5,531)	(10,930)	(16,461)
Transfers	98,276	(98,276)	-
Endowment net assets, end of year	\$ 1,571,069	\$ 14,299,146	\$ 15,870,215

	2022		Totals
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, Beginning of year	\$ 528,202	\$ 1,561,292	\$ 2,089,494
Earnings (losses)	4,848	(224,386)	(219,538)
Fees	(4,848)	(14,330)	(19,178)
Transfers	93,641	(93,641)	-
Endowment net assets, end of year	\$ 621,843	\$ 1,228,935	\$ 1,850,778

Note 14 - ENDOWMENT (Continued)

Underwater Endowment Funds. 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 SPMIFA 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 contributions with perpetual duration. There were no such deficiencies in endowment net assets with donor restrictions as of June 30, 2023 and 2022.

Return Objectives and Risk Parameters. Second Harvest follows the investment and spending policies of the Archdiocese through the Foundation as mandated by the “Agreement to Donate” for endowment assets to be maintained in perpetuity, 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. For the endowment assets restricted for sustainability and long-term strategic goals, Second Harvest follows the Investment Policy Statement (Endowment Funds) approved by the Board of Directors, with the investment objective to preserve purchasing power, while providing a continuing and stable funding source to support the overall mission of the organization.

Strategies Employed for Achieving Objectives. The endowment assets to be maintained in perpetuity, 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. For the other endowment restricted for sustainability and long-term strategic goals, assets are allocated to an Investment Manager in accordance with the Investment Objectives and Policy Guidelines as contained in the Investment Policy Statement (Endowment Funds).

Spending Policy and How Investment Objectives Relate to the Spending Policy. Spending is approved by the Board, based on the needs of Second Harvest, and as governed by the Investment Policy Statement (Endowment Funds).

Note 15 - AVAILABILITY OF FINANCIAL ASSETS

Second Harvest is substantially supported by contributions and grants on an unrestricted and restricted basis. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, Second Harvest must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Second Harvest’s liquidity management, management established a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management established guidelines for making decisions related to managing short-term cash reserves and other investments in a prudent manner. Second Harvest also has a committed line of credit of \$2,000,000 to help manage liquidity needs.

Note 15 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

Second Harvest's Board of Directors may also designate a portion of any operating surplus for a particular purpose. The Board of Directors designated reserves can be changed and made available for immediate use in the event of an urgent liquidity need.

The following reflects Second Harvest's financial assets as of June 30, 2023, reduced by amounts not available for general use because of donor-imposed restrictions.

Financial assets:	
Cash and cash equivalents	\$ 3,193,319
Contributions receivable	2,979,224
Grants receivable	1,418,252
Other receivables	504,310
Investments	<u>46,585,388</u>
Total financial assets as of June 30, 2023	54,680,493
Less amounts unavailable for general expenditures within one year, due to:	
Donor imposed restrictions:	
Restricted by donors with purpose restrictions	(16,690,953)
Endowment fund	<u>(14,299,146)</u>
Financial assets available to meet cash needs for general expenditures within one year before board designations	23,690,394
Less board designations	<u>(8,384,825)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,305,569</u> ⁽¹⁾

⁽¹⁾ According to Feeding America, members shall demonstrate cash reserves without restrictions equal to or greater than an average quarter's cash operating expenses (based on the previous fiscal year audited financial statements excluding donated product, government purchased food and pass-through funds). Management believes this requirement is met.

Note 16 - 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. 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 \$318,775 (retirement \$203,926, benefits \$114,849) and \$275,723 (retirement \$176,032, benefits \$99,691), for the years ended June 30, 2023 and 2022, respectively.

Note 17 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2023 and 2022, \$18,347,041 and \$32,983,693, respectively, (which includes \$383,957 and \$351,084, 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, 2023 and 2022.

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, 2023, uninsured cash and cash equivalent balances were approximately \$2,120,000.

Note 19 - CONCENTRATIONS OF CREDIT RISK (Continued)

Second Harvest maintains money market accounts and mutual funds in investment accounts with brokerage firms where they are insured by the Securities Investor Protection Corporation for balances up to \$500,000 (with a limit of \$250,000 for cash). As of June 30, 2023, cash in excess of the insured limits was approximately \$504,000.

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, 2023 and 2022.

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 charges premiums to Second Harvest based on relevant factors for each type of coverage. In the normal course of operations, the Archdiocese may make available to Second Harvest other specific assistance. Second Harvest is invoiced separately for this assistance.

Second Harvest paid the Archdiocese \$494,435 and \$386,416 for general liability, property coverage, workmen's compensation, and vehicle insurances for the years ended June 30, 2023 and 2022, respectively.

Second Harvest has a line of credit arrangement with the Archdiocese as described in Note 11.

Note 23 - COMMITMENTS ON CONSTRUCTION CONTRACTS

Second Harvest entered into a contract for the renovation of an existing building in Houma, Louisiana totaling approximately \$1,009,400. As of June 30, 2023, Second Harvest has not incurred construction costs related to this contract.

Note 24 - ARCHDIOCESE OF NEW ORLEANS REORGANIZATION

On May 1, 2020, the Archdiocese filed for reorganization under Chapter 11 of the Bankruptcy Code. The Archdiocese has represented that the filing was precipitated by recurring historical operating losses and pressured operating cash flows for several years further compounded by financial challenges arising from COVID-19 restrictions which began in March of 2020 and efforts to bring an equitable resolution to litigation stemming from alleged decades-old incidents of abuse by clergy and lay employees or volunteers. Second Harvest is a separately incorporated 501(c)(3) and is not a part of the debtor entity, as defined by the United States Bankruptcy Court pursuant to the Chapter 11 filing.

At present management is unaware of any abuse claims being asserted against Second Harvest; however, abuse claims may be asserted against Second Harvest in the future. At this time, management is not able to estimate the impact that the Chapter 11 filing will have on its financial statements.

As discussed in Note 2e and 6, Second Harvest participates in the Archdiocese investment pool and maintains cash on deposit in the Deposit and Loan Fund at the Archdiocese. At present, management does not anticipate that additional direct or indirect claims would be asserted against Second Harvest's interest in the pooled investments or its deposits that are held with the Archdiocese.

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, 2023
(Unaudited)

FORM 1

FUNCTIONAL BUDGET SPREADSHEET 2022 - 2023		ADMINISTRATION		PROGRAM	
		FUNDRAISING		TOTAL	
		AGENCY	Management	PROGRAM	Second
		and General		SERVICES	Harvest
		1	2	3	4
REVENUE:					
1	4200 BOARD GENERATED SELF SUPPORT	\$ -	\$ -	\$ -	\$ -
2	4008 4016 4031..4053 CLIENT GENERATED SELF SUPPORT	13,612,887	-	13,612,887	13,612,887
3	4061-4069 GOVERNMENT GRANTS/CONTRACTS	21,744,093	-	21,744,093	21,744,093
4	4010..4013 4017..4020 OTHER FOUNDATIONS OR NATIONAL GRANTS	606,451	-	606,451	606,451
5	4081-4450 4021 OTHER REVENUE	3,899,813	-	3,899,813	3,899,813
6	5005-5019 IN-KIND/NON-CASH CONTRIBUTIONS	47,775,065	-	47,775,065	47,775,065
7	TOTAL SELF GENERATED REVENUE	87,638,309	-	87,638,309	87,638,309
8	4072 UNITED WAY DESIGNATIONS AND ALLOCATIONS	91,378	-	91,378	91,378
9	4071 CFC DESIGNATIONS	-	-	-	-
10	4073 4075 4076 4078 OTHER UNITED WAY GRANTS	254,441	-	254,441	254,441
11	TOTAL REVENUE	87,984,128	-	87,984,128	87,984,128
12	4074 UNITED WAY GNO REQUEST	-	-	-	-
13	GRAND TOTAL REVENUE	87,984,128	-	87,984,128	87,984,128
EXPENSES:					
14	6005-6019 SALARIES	6,328,258	2,307,726	4,020,532	4,020,532
15	6020-6029 BENEFITS	1,121,330	387,984	733,346	733,346
16	6040-6049 TAXES	453,955	162,694	291,261	291,261
17	6300-6399 OCCUPANCY EXPENSES	1,264,629	1,849	1,262,780	1,262,780
18	6400-6499 TRAVEL AND TRANSPORTATION EXPENSE	896,566	18,361	878,205	878,205
19	6500-6599 ex 6503 OFFICE SUPPLIES	210,724	69,466	141,258	141,258
20	6107-6115 PRINTING	58,750	45,097	13,653	13,653
21	6700..6849 6503 DIRECT ASSISTANCE TO INDIVIDUALS	6,889,010	90,218	6,798,792	6,798,792
22	6050-6106 6117-6299 6600-6699 7000-7099 7200-9999 6850-6899 OTHER	3,849,006	1,441,278	2,407,728	2,407,728
23	7100-7199 IN-KIND/NON-CASH CONTRIBUTIONS	70,077,918	56,805	70,021,113	70,021,113
24	6900-6999 BOARD GENERATED SELF SUPPORT	1,868,492	1,280,638	587,854	587,854
25	GRAND TOTAL EXPENSES	\$ 93,018,638	\$ 5,862,116	\$ 87,156,522	\$ 87,156,522
26	NET DIFFERENCE	\$ (5,034,510)	\$ (5,862,116)	\$ 827,606	\$ 827,606

EXPENSES ANALYSIS:

27-Total Direct Program Expenses	\$ 87,156,522
28-Percent of Total Program Expenses	100%
29-Distribution of M & G Expenses	\$ 5,862,116
30-Grand Total Program Expenses	\$ 93,018,638
31-Projected Undup. People Served	300,000
32-Cost per Person	\$ 310

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 Most Reverend Gregory Aymond, Archbishop
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, 2023, 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 January 3, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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



Certified Public Accountants.

New Orleans, Louisiana.
January 3, 2024.

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

To Most Reverend Gregory Aymond, Archbishop
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

Opinion on 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, 2023. Second Harvest’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Harvest complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Second Harvest's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Second Harvest's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Second Harvest's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

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

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



Certified Public Accountants.

New Orleans, Louisiana.
January 3, 2024.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2023

<u>Federal Grantor / Pass-Through Agency / Program Title</u>	<u>Federal AL Number</u>	<u>Passed-through to Subrecipients (Food Commodities)</u>	<u>Federal Expenditures</u>
United States Department of Agriculture:			
<u>Pass-through Programs From:</u>			
<u>Louisiana Department of Agriculture and Forestry:</u>			
Emergency Food Assistance Program (Food Commodities)	10.569	\$ 21,822,447	\$ 16,104,587
Emergency Food Assistance Program (Administrative Costs)	10.568		1,858,497
Emergency Food Assistance Program (Reach and Resiliency)	10.568		87,483
Local Food Assistance Purchase Cooperative Nourishing Louisiana	10.182		232,271
National Institute of Food and Agriculture Community Food Project	10.225		374,021
<u>Louisiana Department of Education:</u>			
Child and Adult Care Food Program	10.558		354,689
Summer Food Service Program	10.559		296,073
<u>Louisiana Department of Children and Family Services:</u>			
Supplemental Nutrition Assistance Program	10.561		113,536
Total United States Department of Agriculture			<u>19,421,157</u>
United States Department of Housing and Urban Development (HUD)			
<u>Pass-through Programs From:</u>			
<u>Jefferson Parish</u>			
Community Development Block Grants / Entitlement Grants	14.218		323,600
<u>Lafayette City-Parish Consolidated Government</u>			
Community Development Block Grants / Entitlement Grants	14.218		184,051
Total United States Department of Housing and Urban Development			<u>507,651</u>
United States Department of Homeland Security:			
Emergency Food and Shelter Assistance Program National Board Program (Phase 39, 40)	97.024		91,011
National Board Program (ARPA-R)	97.024		52,390
Total United States Department of Homeland Security			<u>143,401</u>
Total expenditures of federal awards		<u>\$ 21,822,447</u>	<u>\$ 20,072,209</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 New Orleans, Louisiana

For the year ended June 30, 2023

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, 2023. 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, 2023.

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2023. Food commodities of \$21,822,447 were passed through to subrecipients.

Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal revenues of \$20,072,209 are reported on the Statement of Activities and classified as fees and grants from other federal agencies of \$2,109,125, U.S. Department of Agriculture commodities of \$16,104,587, and U.S. Department of Agriculture administration of \$1,858,497.

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 \$21,822,447 for the year ended June 30, 2023.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

For the year ended June 30, 2023

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

Noncompliance material to financial statements noted? ___ Yes X No

b) Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ___ Yes X 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 200.516 of the Uniform Guidance? ___ Yes X No

Section I - Summary of Auditor's Results (Continued)

c) Identification of Major Programs:

<u>Federal AL Number</u>	<u>Name of Federal Program</u>
10.569	Emergency Food Assistance Program (Food Commodities)
10.568	Emergency Food Assistance Program (Administrative Costs)
10.568	Emergency Food Assistance Program (Reach and Resiliency)

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

Auditee qualified as a low-risk auditee? 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

There were no internal control over financial reporting findings material to the financial statements reported during the audit for the year ended June 30, 2023.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2023.

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, 2023 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
New Orleans, Louisiana

For the year ended June 30, 2023

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

Internal Control Over Financial Reporting

There were no internal control over financial reporting findings material to the financial statements reported during the audit for the year ended June 30, 2022.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2022.

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, 2022 related to internal control and compliance material to federal awards.

MANAGEMENT'S CORRECTIVE ACTION PLAN ON
CURRENT YEAR FINDINGS

Second Harvest Food Bank of Greater New Orleans and Acadiana
New Orleans, Louisiana

For the year ended June 30, 2023

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

Internal Control Over Financial Reporting

There were no internal control over financial reporting findings material to the financial statements reported during the audit for the year ended June 30, 2023.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2023.

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, 2023 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, 2023.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule 2 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2022 through June 30, 2023. Second Harvest Food Bank of Greater New Orleans and Acadiana management is responsible for those C/C areas identified in the SAUPs.

Second Harvest has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 2.

We were engaged by Second Harvest to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. 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.

We are required to be independent of Second Harvest and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
January 3, 2024.

SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS
OF THE STATEWIDE AGREED-UPON PROCEDURES

Second Harvest Food Bank of Greater New Orleans and Acadiana
 New Orleans, Louisiana

For the year ended June 30, 2023

The required procedures and our findings are as follows:

1. Procedures Performed on Second Harvest's Written Policies and Procedures:

A. Obtain and inspect Second Harvest's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and Second Harvest's operations:

i. Budgeting, including preparing, adopting, monitoring, and amending the budget.

Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

ii. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

iii. Disbursements, including processing, reviewing, and approving.

Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

iv. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue.

Performance: Obtained and read the written policy for receipts and collections and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

1. Procedures Performed on Second Harvest's Written Policies and Procedures: (Continued)

- v. Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

Performance: Obtained and read the written policy for payroll and personnel and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- vi. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

Performance: Obtained and read the policies for contracting and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- vii. Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Performance: Obtained and read the written policy for travel and expense reimbursement and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- viii. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).

Performance: Obtained and read the written policy for credit cards and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- ix. Ethics, including (1) prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

Not applicable for not-for-profit entities.

- x. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Not applicable for not-for-profit entities.

1. Procedures Performed on Second Harvest's Written Policies and Procedures: (Continued)

- xi. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups; (2) storage of backups in a separate physical location isolated from the network; (3) periodic testing/verification that backups can be restored; (4) use of antivirus software on all systems; (5) timely application of all available system and software patches/updates; and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Performance: Obtained and read the information technology disaster recovery/business continuity policy and found it to address all of the functions listed above.

Exceptions: There were no exceptions noted.

- xii. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.
Not applicable for not-for-profit entities.

2. Procedures Performed on Second Harvest's Board:

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period and:

- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Performance: Obtained the 2023 board of director meeting minutes and verified the board met at least quarterly with a quorum. Obtained Second Harvest's bylaws and confirmed the board is required to meet at least quarterly.

Exceptions: There were no exceptions noted.

- ii. For those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of Second Harvest's collections during the fiscal period.

Performance: Inspected meeting minutes and determined that the minutes referenced or included financial activity relating to public funds.

Exceptions: There were no exceptions noted.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Not applicable for not-for-profit entities.

2. Procedures Performed on Second Harvest's Board: (Continued)

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Not applicable. Second Harvest did not have audit findings for the year ended June 30, 2022.

3. Procedures Performed on Second Harvest's Bank Reconciliations:

- A. Obtain a listing of Second Harvest's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the main operating account. Select Second Harvest's main operating account and select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter that the listing is complete. The main account and four other accounts were subject to the statewide agreed-upon procedures.

Exceptions: There were no exceptions noted.

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Performance: Obtained the selected monthly bank reconciliation for the month of May for the main operating bank account and the four additional accounts. Inspected management's documentation for timely preparation of the bank reconciliations.

Exceptions: There were no exceptions noted.

- ii. Bank reconciliations include evidence that a member of management who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Performance: Inspected Second Harvest's documentation for the May bank reconciliations for the 5 bank accounts and verified a member of management who does not handle cash, post ledgers, or issue checks has reviewed the bank reconciliation.

Exceptions: There were no exceptions noted.

3. Procedures Performed on Second Harvest's Bank Reconciliations: (Continued)

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Performance: Inspected documents for items outstanding for more than 12 months.

We noted multiple items outstanding longer than 12 months as of the end of the fiscal period. Discussed with management regarding the multiple outstanding reconciling items. Management stated they are actively following up on all outstanding reconciling items older than 12 months.

Exceptions: There were no exceptions noted.

4. Procedures Performed on Second Harvest's Collections (Excluding Electronic Funds Transfers):

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Performance: Obtained the listing of deposit sites from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Performance: Obtained the listing of collection locations from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- i. Employees that are responsible for cash collections do not share cash drawers/registers.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

- ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

4. Procedures Performed on Second Harvest's Collections (Excluding Electronic Funds Transfers): (Continued)

iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers unless another employee is responsible for reconciling ledger postings to each other and to the deposit.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source, are not responsible for collecting cash, unless another employee verifies the reconciliation.

Performance: Inspected policy manuals, inquired of client as to all of the requirements and observed the duties were properly segregated.

Exceptions: There were no exceptions noted.

C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

Performance: Obtained a copy of the insurance policy for theft covering all employees who have access to cash. Observed that the insurance policy for theft was in force during the fiscal period.

Exceptions: There were no exceptions noted.

D. Randomly select 2 deposit dates for each of Second Harvest's bank accounts selected for procedures under "Procedures Performed on Second Harvest's Bank Reconciliations" #3A. Obtain supporting documentation for each of the deposits selected and:

i. Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

iii. Trace the deposit slip total to the actual deposit per the bank statement.

Performance: Traced deposit slip total to actual deposit per bank statement.

Exceptions: There were no exceptions noted.

4. Procedures Performed on Second Harvest's Collections (Excluding Electronic Funds Transfers): (Continued)

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Performance: Observed support for bank deposits.

Exceptions: We obtained support for the bank deposits and noted that the date checks are received was not noted on the deposit. We inquired of the client and deposits were made within one day of receipt of the checks.

- v. Trace the actual deposit per the bank statement to the general ledger.

Performance: Traced the actual deposit per the bank statement to the general ledger.

Exceptions: There were no exceptions noted.

5. Procedures Performed on Second Harvest's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

- A. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Performance: Obtained a listing of locations that process payments for the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Selected the sole location for testing.

Exceptions: There were no exceptions noted.

- B. For each location selected under procedure #5A, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if Second Harvest has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of employees involved in non-payroll purchasing and payment functions and reviewed written policies and procedures related to employee job duties. Observed if the job duties were properly segregated.

Exceptions: There were no exceptions noted.

- i. At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Obtained a listing of employees involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

5. Procedures Performed on Second Harvest's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- ii. At least 2 employees are involved in processing and approving payments to vendors.
Performance: Obtained a listing of employees involved in processing and approving payments to vendors. Observed at least 2 employees are involved.
Exceptions: There were no exceptions noted.
 - iii. 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: Obtained a listing of employees involved in processing payments to vendors. Observed that the employee involved in processing payments can add/modify vendor files. Confirmed that another employee is responsible for periodically reviewing changes to vendor files.
Exceptions: There were no exceptions noted.
 - iv. Either the employee/official 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: Obtained a listing of employees involved with signing and mailing checks and verified they are not involved in the processing of payments.
Exceptions: There were no exceptions noted.
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearing house (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
Performance: Obtained a listing of employees/officials authorized to sign checks and verified they approve the electronic disbursements of funds.
Exceptions: There were no exceptions noted.
- C. For each location selected under procedure #5A, obtain Second Harvest's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
Performance: Obtained Second Harvest's non-payroll disbursement transaction population and received management's representation in a separate letter that the population is complete. Randomly selected 5 disbursements from the sole location that processes payment for testing.
Exceptions: There were no exceptions noted.

5. Procedures Performed on Second Harvest’s Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by Second Harvest.

Performance: Observed the 5 disbursements matched the related original invoice/billing statements and documentation indicates deliverables were received.

Exceptions: There were no exceptions noted.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B, as applicable.

Performance: Observed the 5 disbursements included evidence of segregation of duties.

Exceptions: There were no exceptions noted.

- D. Using Second Harvest’s main operating account and the month selected for procedures #3A under “Procedures Performed on Second Harvest’s Bank Reconciliations”, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was:

- i. Approved by only those persons authorized to disburse funds (e.g., sign checks) per Second Harvest’s policy.

Performance: Observed the 5 disbursements included evidence of approval by authorized persons.

Exceptions: There were no exceptions noted.

- ii. Approved by the required number of authorized signers per Second Harvest’s policy.

Performance: Observed the 5 disbursements included evidence of approval by required number of authorized signers.

Exceptions: There were no exceptions noted.

6. Procedures Performed on Second Harvest’s Credit Cards, Debit Cards, Fuel Cards, P-Cards:

- A. 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, bank debit cards, fuel cards, and P-cards for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Received management’s representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

6. Procedures Performed on Second Harvest's Credit Cards, Debit Cards, Fuel Cards, P-Cards: (Continued)

B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

- i. Observe whether 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) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder.

Performance: Observed evidence that the statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: There were no exceptions noted.

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

Performance: Observed that there were no finance charges and/or late fees assessed on the selected statements.

Exceptions: There were no exceptions noted.

C. Using the monthly statements or combined statements selected under procedure #6B, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to inspection).

For each transaction, report whether the transaction is supported by:

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

Performance: Observed that the transactions from the monthly statements were supported by original itemized receipts that identify precisely what was purchased.

Exceptions: There were no exceptions noted.

- ii. Written documentation of the business/public purpose.

Performance: Observed that the transactions from the monthly statements were supported with written documentation of the business/public purpose.

Exceptions: There were no exceptions noted.

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

Performance: Observed that the selected transactions for meal charges were supported by documentation of the individuals participating in meals.

Exceptions: There were no exceptions noted.

7. Procedures Performed on Second Harvest's Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions):

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Obtained a listing of all travel and travel-related expense reimbursements during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Obtained the related expense reimbursement form and supporting documentation for 5 reimbursements.

Exceptions: There were no exceptions noted.

- i. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Performance: Per diem was used for 2 of the 5 selected reimbursements. Agreed the reimbursement rate for the 2 selected reimbursements using a per diem rate to those rates established by the U.S. General Services Administration.

Exceptions: There were no exceptions noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Performance: Actual costs were used for 3 of the 5 selected reimbursements. Observed that the 3 reimbursements using actual cost were supported by an original itemized receipt that identified precisely what was purchased.

Exceptions: There were no exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy procedures #1A(vii).

Performance: Observed that each reimbursement was supported by documentation of the business/public purpose (for meal charges, observed that the documentation included the names of those individuals participating) and other documentation required by written policy procedure #1A(vii).

Exceptions: There were no exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Performance: Observed that each reimbursement was reviewed and approved, in writing, by someone other than the person that received the reimbursement.

Exceptions: There were no exceptions noted.

8. Procedures Performed on Second Harvest's Contracts:

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation in a separate letter that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Performance: Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period, and received management's representation in a separate letter that the listing is complete. Selected 5 contracts for testing.

Exceptions: There were no exceptions noted.

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Performance: Observed that the contracts selected did not require the bids to be in accordance with Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Performance: Inspected the contract policy of Second Harvest noting the CFO is responsible for reviewing and approving all contracts. Noted the CFO reviewed and approved all contracts selected.

Exceptions: There were no exceptions noted.

- iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that the amendments were made in compliance with the contract terms.

Performance: Observed that the contracts selected were not amended.

Exceptions: There were no exceptions noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Performance: Obtained supporting invoices, agreed invoices to the contract terms, and observed invoices related to the payment agreed to terms and conditions of the contract.

Exceptions: There were no exceptions noted.

9. Procedures Performed on Second Harvest's Payroll and Personnel:

- A. Obtain a listing of employees employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Obtained a listing of employees employed during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. Selected 5 employees, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

Exceptions: There were no exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees selected under procedure #9A, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory).

Performance: Randomly selected one pay period to test attendance and/or leave taken during that period. Inspected daily attendance and leave record for proper documentation.

Exceptions: There were no exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees.

Performance: Observed that supervisors approved the attendance and leave of the selected employees.

Exceptions: There were no exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in Second Harvest's cumulative leave records.

Performance: Observed that any leave accrued or taken during the pay period was reflected in the cumulative leave records.

Exceptions: There were no exceptions noted.

- iv. Observe that the rate paid to the employees agrees to the authorized salary/pay rate found within the personnel file.

Performance: Agreed the pay rates to authorized salary/pay rates maintained in employee files.

Exceptions: There were no exceptions noted.

9. Procedures Performed on Second Harvest's Payroll and Personnel: (Continued)

- C. Obtain a listing of those employees that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees and obtain related documentation of the hours and pay rates used in management's termination payment calculations and Second Harvest's policy on termination payments. Agree the hours to the employees' cumulative leave records and agree the pay rates to the employees' authorized pay rates in the employees' personnel files and agree the termination payments to Second Harvest's policy.

Performance: Obtained a listing of those employees that received termination payments during the fiscal period from management, and received management's representation in a separate letter that the listing is complete. For 2 employees the hours used in management's termination payment calculations were agreed to cumulative leave records and the pay rates were agreed to authorize pay rates maintained in the personnel files.

Exceptions: There were no exceptions noted.

- D. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers' compensation premiums have been paid, and any associated forms have been filed, by required deadlines.

Performance: Obtained management's representation that employer and employee portions of third-party payroll related amounts have been paid, and any associated forms have been filed by the required deadlines.

Exceptions: There were no exceptions noted.

10. Procedures Performed on Second Harvest's Ethics:

- A. Using the 5 selected employees from Payroll and Personnel procedure #9A obtain ethics compliance documentation from management and:

Not applicable for not-for-profit entities.

- i. Observe whether the documentation demonstrates each employee completed one hour of ethics training during the period as required by R.S. 42:1170.

Not applicable for not-for-profit entities.

- ii. Observe whether Second Harvest maintains documentation which demonstrates each employee was notified of any changes to Second Harvest's ethics policy during the fiscal period, as applicable.

Not applicable for not-for-profit entities.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Not applicable for not-for-profit entities.

11. Procedures Performed on Second Harvest's Debt Service:

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

Not applicable for not-for-profit entities.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable for not-for-profit entities.

12. Procedures Performed on Second Harvest's Fraud Notice:

- A. Obtain a listing of misappropriations of public funds and 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 misappropriation(s) to the legislative auditor and the district attorney of the parish in which Second Harvest is domiciled as required by R.S. 24:523.

Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period and obtained management's representation in a separate letter; none were noted.

Exceptions: There were no exceptions noted.

- B. Observe Second Harvest has posted on its premises and website the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inspected the fraud notice posted on the premises and website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: There were no exceptions noted.

**13. Procedures Performed on Second Harvest's Information Technology Disaster Recovery/
Business Continuity:**

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- i. Obtain and inspect Second Harvest's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (a) occurred within the past week, (b) was not stored on Second Harvest's local server or network, and (c) was encrypted.

Performance: We performed the procedure and discussed the results with management.

**13. Procedures Performed on Second Harvest’s Information Technology Disaster Recovery/
Business Continuity: (Continued)**

- ii. Obtain and inspect Second Harvest’s most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Performance: We performed the procedure and discussed the results with management.

- iii. Obtain a listing of Second Harvest’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Performance: We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

Performance: Obtained evidence that the selected terminated employees have been removed or disabled from the network.

Exceptions: There were no exceptions noted.

14. Procedures Performed on Second Harvest’s Prevention of Sexual Harassment:

- A. Using the 5 randomly selected employees from procedure #9A under “Procedures Performed on Second Harvest’s Payroll and Personnel” above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Not applicable for not-for-profit entities.

- B. Observe Second Harvest has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on Second Harvest’s premises if Second Harvest does not have a website).

Not applicable for not-for-profit entities.

- C. Obtain Second Harvest’s annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

**14. Procedures Performed on Second Harvest's Prevention of Sexual Harassment:
(Continued)**

- i. Number and percentage of public servants in Second Harvest who have completed the training requirements.
Not applicable for not-for-profit entities.
- ii. Number of sexual harassment complaints received by Second Harvest.
Not applicable for not-for-profit entities.
- iii. Number of complaints which resulted in a finding that sexual harassment occurred.
Not applicable for not-for-profit entities.
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.
Not applicable for not-for-profit entities.
- v. Amount of time it took to resolve each complaint.
Not applicable for not-for-profit entities.

Management's Overall Response to Exceptions:

- 4.D.iv. Management will note the date received on all checks deposited.