

Financial Report

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

June 30, 2022



Financial Report

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Greater New Orleans and Acadiana*

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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, 2022 and 2021 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, 2022 and 2021, 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. The supplementary information in Schedule 2 is presented for purposes of additional analysis and is required by Louisiana Revised Statute 24:513(A)(3) 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 in Schedule 2 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedule 2 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
February 6, 2023.

STATEMENTS OF FINANCIAL POSITION

Second Harvest Food Bank of Greater New Orleans and Acadiana

June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 4,811,974 | \$ 7,238,943 |
| Contributions receivable: | | |
| Pledges | 1,585,156 | 2,616,607 |
| United Way | 275,067 | 253,267 |
| Grants receivable | 1,768,959 | 573,057 |
| Other receivables | 536,746 | 241,531 |
| Prepaid and other assets | 87,645 | 82,222 |
| Investments | 46,354,850 | 41,901,802 |
| Inventory | 9,306,050 | 5,032,042 |
| | <u>64,726,447</u> | <u>57,939,471</u> |
| Total current assets | | |
| | <u>64,726,447</u> | <u>57,939,471</u> |
| Noncurrent Assets | | |
| Pledges receivable, noncurrent | 1,558,603 | 2,074,029 |
| Property and equipment - net | 23,336,344 | 16,545,251 |
| Investments | 1,228,935 | 1,561,292 |
| Other assets | 191,327 | 24,607 |
| | <u>26,315,209</u> | <u>20,205,179</u> |
| Total noncurrent assets | | |
| | <u>26,315,209</u> | <u>20,205,179</u> |
| | | |
| Total assets | <u>\$ 91,041,656</u> | <u>\$ 78,144,650</u> |

See notes to financial statements.

LIABILITIES AND NET ASSETS

| | <u>2022</u> | <u>2021</u> |
|---|-----------------------------|-----------------------------|
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 2,557,526 | \$ 1,990,643 |
| Capital lease obligations, current | 112,782 | 107,001 |
| Other liabilities | <u>16,875</u> | <u>8,213</u> |
| Total current liabilities | <u>2,687,183</u> | <u>2,105,857</u> |
| Noncurrent Liabilities | | |
| Capital lease obligations, net of current amounts | <u>147,391</u> | <u>260,164</u> |
| Total liabilities | <u>2,834,574</u> | <u>2,366,021</u> |
| Net Assets | | |
| Without donor restrictions: | | |
| Designated | 7,061,946 | 5,649,511 |
| Undesignated | <u>49,350,626</u> | <u>36,913,349</u> |
| Total net assets without donor restrictions | 56,412,572 | 42,562,860 |
| With donor restrictions | <u>31,794,510</u> | <u>33,215,769</u> |
| Total net assets | <u>88,207,082</u> | <u>75,778,629</u> |
| Total liabilities and net assets | <u><u>\$ 91,041,656</u></u> | <u><u>\$ 78,144,650</u></u> |

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

For the year ended June 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|--|---|--|-------------------|
| 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> |
| 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> |

**Exhibit B-1
(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 ACTIVITIES**Second Harvest Food Bank of Greater New Orleans and Acadiana**

For the year ended June 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|---|---|--|--------------------|
| Revenues and Other Support | | | |
| Public support: | | | |
| Donations of food, grocery, and other products from producers and brokers | \$ 88,182,265 | \$ - | \$ 88,182,265 |
| Contributions, donations, and grants | 17,218,898 | 29,235,010 | 46,453,908 |
| Contributed goods and services | 1,697 | - | 1,697 |
| United Way | | | |
| Southeast Louisiana: | | | |
| Allocations | - | 45,000 | 45,000 |
| Designations | 82,327 | - | 82,327 |
| St. Charles - allocations | - | 170,800 | 170,800 |
| Acadiana - allocations | 25,937 | 25,800 | 51,737 |
| Disaster - allocations | 155,000 | - | 155,000 |
| Other - allocations | 16,364 | - | 16,364 |
| Special events | 199,963 | - | 199,963 |
| | <u>105,882,451</u> | <u>29,476,610</u> | <u>135,359,061</u> |
| Governmental financial assistance: | | | |
| U.S.D.A. commodities | 30,304,407 | - | 30,304,407 |
| U.S.D.A. administration | 4,081,737 | - | 4,081,737 |
| Fees and grants from other federal agencies | 328,137 | 134,192 | 462,329 |
| Non-Federal fees and grants | 450,887 | - | 450,887 |
| | <u>35,165,168</u> | <u>134,192</u> | <u>35,299,360</u> |

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|--|----------------------------------|-------------------------------|----------------------|
| Other Revenue | | | |
| Program generated | 508,307 | 414,040 | 922,347 |
| Paycheck Protection Program loan forgiveness | 941,800 | - | 941,800 |
| Investment income | 873,671 | 418,148 | 1,291,819 |
| Rental income | 122,266 | - | 122,266 |
| Other | 110,043 | - | 110,043 |
| Net assets released from restrictions | 6,031,598 | (6,031,598) | - |
| Total other revenue | <u>8,587,685</u> | <u>(5,199,410)</u> | <u>3,388,275</u> |
| Total revenue | <u>149,635,304</u> | <u>24,411,392</u> | <u>174,046,696</u> |
| Expenses | | | |
| Program services | 132,327,802 | - | 132,327,802 |
| Management and general | 1,233,406 | - | 1,233,406 |
| Fundraising | 1,901,159 | - | 1,901,159 |
| Total expenses | <u>135,462,367</u> | <u>-</u> | <u>135,462,367</u> |
| Change in Net Assets Before Change in Liability on Interest Rate Swap Agreement | | | |
| | 14,172,937 | 24,411,392 | 38,584,329 |
| Change in liability on interest rate swap agreement | <u>38,461</u> | <u>-</u> | <u>38,461</u> |
| Change in Net Assets | 14,211,398 | 24,411,392 | 38,622,790 |
| Net Assets | | | |
| Beginning of year | <u>28,351,462</u> | <u>8,804,377</u> | <u>37,155,839</u> |
| End of year | <u>\$ 42,562,860</u> | <u>\$ 33,215,769</u> | <u>\$ 75,778,629</u> |

See notes to financial statements.

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

For the year ended June 30, 2022

| | Program Services | Management and General | Fundraising | Totals |
|--|----------------------|---------------------------|---------------------|----------------------|
| 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 | 165,009 | 42,676 | 12,681 | 220,366 |
| 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 | 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 | - | - | 110,907 | 110,907 |
| Total expenses | \$ 95,363,771 | \$ 1,671,127 | \$ 2,268,887 | \$ 99,303,785 |

See notes to financial statements.

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

For the year ended June 30, 2021

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Totals</u> |
|--|-----------------------------|-----------------------------------|---------------------|-----------------------|
| Salaries | \$ 4,169,814 | \$ 679,418 | \$ 733,768 | \$ 5,583,000 |
| Employee benefits and taxes | 949,178 | 232,454 | 162,622 | 1,344,254 |
| Personnel development and recruitment | 43,149 | 56,655 | 2,921 | 102,725 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total salaries and related expenses | 5,162,141 | 968,527 | 899,311 | 7,029,979 |
| Food distribution | 122,533,385 | - | - | 122,533,385 |
| Mailings and solicitations | 346,581 | 421 | 446,056 | 793,058 |
| Professional fees and contract services | 532,531 | 161,905 | 248,827 | 943,263 |
| Transportation and freight | 814,184 | 2,777 | 38,415 | 855,376 |
| Occupancy | 957,736 | - | - | 957,736 |
| Other operating expenses | 366,075 | 24,397 | 160,366 | 550,838 |
| Depreciation | 629,285 | 4,795 | 11,121 | 645,201 |
| Supplies | 329,625 | 14,146 | 27,808 | 371,579 |
| Equipment expenses | 367,597 | 56,438 | 4,662 | 428,697 |
| Insurance | 288,662 | - | 3,400 | 292,062 |
| Special events | - | - | 61,193 | 61,193 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses | <u>\$ 132,327,802</u> | <u>\$ 1,233,406</u> | <u>\$ 1,901,159</u> | <u>\$ 135,462,367</u> |

See notes to financial statements.

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

For the years ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 12,428,453 | \$ 38,622,790 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Receipts of donated product and U.S.D.A. commodities | (84,878,293) | (118,486,672) |
| Distributions of donated product and U.S.D.A. commodities | 80,534,229 | 119,678,694 |
| Depreciation | 695,187 | 645,201 |
| Unrealized and realized (gains) losses on investments, net | 3,956,918 | (1,152,913) |
| (Gain) loss on sale of assets | (590) | 16,183 |
| Forgiveness of Paycheck Protection Program note payable | - | (941,800) |
| Revenues restricted for the acquisition of property and equipment: | | |
| Capital campaign contributions | (1,783,429) | (3,351,244) |
| Donated investments | (51,024) | - |
| Change in liability on interest rate swap agreement | - | (38,461) |
| Changes in assets and liabilities: | | |
| Receivables and pledges | (1,512,917) | 410,412 |
| Other assets | (166,720) | - |
| Prepaid expenses | (5,423) | (21,510) |
| Inventory | 70,056 | 64,193 |
| Accounts payable and accrued expenses | (743,764) | 142,250 |
| Other liabilities | 8,662 | (1,450) |
| | <u>8,551,345</u> | <u>35,585,673</u> |
| Net cash provided by operating activities | <u>8,551,345</u> | <u>35,585,673</u> |

**Exhibit D
(Continued)**

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Cash Flows From Investing Activities | | |
| Purchases of investments | (12,148,518) | (37,820,890) |
| Proceeds from sale of investments | 4,121,932 | 86,019 |
| Purchases of property and equipment | (6,203,524) | (6,158,138) |
| Proceeds from sale of property and equipment | <u>28,482</u> | <u>32,438</u> |
| Net cash used in investing activities | <u>(14,201,628)</u> | <u>(43,860,571)</u> |
| Cash Flows From Financing Activities | | |
| Collections of capital campaign contributions restricted for the acquisition of property and equipment | 3,330,306 | 2,774,687 |
| Repayments of capital lease obligation | (106,992) | (101,508) |
| Principal payments on note payable | <u>-</u> | <u>(3,136,178)</u> |
| Net cash provided by (used in) financing activities | <u>3,223,314</u> | <u>(462,999)</u> |
| Net Decrease in Cash and Cash Equivalents | (2,426,969) | (8,737,897) |
| Cash and Cash Equivalents | | |
| Beginning of year | <u>7,238,943</u> | <u>15,976,840</u> |
| End of year | <u>\$ 4,811,974</u> | <u>\$ 7,238,943</u> |
| Supplemental Disclosure for Cash Flow Information | | |
| Cash paid during the year for interest | <u>\$ 16,825</u> | <u>\$ 104,974</u> |
| Supplemental Disclosure of Noncash Investing Activities | | |
| Property and equipment purchases included in accounts payable | <u>\$ 1,310,648</u> | <u>\$ -</u> |

See notes to financial statements.

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

June 30, 2022 and 2021

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. There was no bad debt expense for the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, 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 used need to maximize the use of 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, 2022 and 2021.

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. These are included in Level 2 of the fair value hierarchy.

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 \$1.92 and \$1.79 per pound for assorted donations and \$1.53 and \$1.70 per pound for food only donations for the years ended June 30, 2022 and 2021, respectively.

Purchased food inventory is recorded at cost. As of June 30, 2022 and 2021, 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, 2022 and 2021, depreciation expense totaled \$695,187 and \$645,201 respectively.

i. 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.

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.

j. 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.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Contributions and Revenue Recognition (Continued)

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, 2022 and 2021.

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 \$51,024 for the year ended June 30, 2022. There were no donated non-cash assets received for the year ended June 30, 2021.

k. 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.

l. Donated Services

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

The donated volunteer services in Second Harvest's functional areas were 69,474 hours for the year ended June 30, 2022 and 107,587 hours for the year ended June 30, 2021. The services provided for the years ended June 30, 2022 and 2021 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 69,474 hours for the year ended June 30, 2022 and 107,587 hours for the year ended June 30, 2021 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, 2022 and 2021 was \$1,829,250 and \$2,381,976, respectively.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Income Taxes

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

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2022, 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, 2019 and later remain subject to examination by the taxing authorities.

n. 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. The ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Second Harvest is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. 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. Entities that have not yet adopted Topic 842 are required to adopt the amendments in this update at the same time that they adopt Topic 842. Second Harvest is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets” (Topic 958). The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting by nonprofits of gifts-in-kind. The ASU is effective for fiscal years beginning after June 15, 2021. This statement did not have a material effect on the financial statements.

o. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 6, 2023, which is the date the financial statements were available to be issued.

Note 3 - GRANTS RECEIVABLE

The grants receivable balances as of June 30, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|--|--------------|------------|
| U.S.D.A. distribution fees | \$ 826,167 | \$ 93,063 |
| CARES/Emergency Food and Shelter Program | 491,099 | 118,437 |
| Other grants | 204,642 | 5,000 |
| Department of Children and Family Services | 127,761 | 8,892 |
| Department of Education - Summer Food Service Program | 109,816 | 84,970 |
| Kid's Café | 9,474 | 5,195 |
| Mobile Market | - | 250,000 |
| Baptist Community Ministries | - | 7,500 |
| | \$ 1,768,959 | \$ 573,057 |
| Totals | | |

Note 4 - PLEDGES RECEIVABLE

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

Pledges receivable as of June 30, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|------------------------|--------------|--------------|
| In less than one year | \$ 1,585,156 | \$ 2,616,607 |
| One to five years | 1,710,900 | 2,325,367 |
| Totals | 3,296,056 | 4,941,974 |
| Unamortized discount | (152,297) | (251,338) |
| Net pledges receivable | \$ 3,143,759 | \$ 4,690,636 |

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 \$3,230,000 and \$4,845,000 of capital campaign pledges before the unamortized discount as of June 30, 2022 and 2021, respectively. (See Notes 9 and 25.)

Note 5 - INVESTMENTS

The following summarizes the market value of investments and the investment return as of and for the years ended June 30, 2022 and 2021:

| | 2022 | 2021 |
|---------------------------------------|----------------|---------------|
| Investments: | | |
| Pooled assets held with the | | |
| Foundation | \$ 7,850,586 | \$ 8,827,596 |
| Mutual funds | 39,733,199 | 34,635,498 |
| Totals | \$ 47,583,785 | \$ 43,463,094 |
| Unrealized gain (loss) on investments | \$ (3,688,546) | \$ 1,187,017 |
| Realized loss on investments | (268,372) | (34,104) |
| | (3,956,918) | 1,152,913 |
| Interest and dividend income | 540,769 | 138,906 |
| Investment income (loss) | \$ (3,416,149) | \$ 1,291,819 |

The current and long-term values of investments are \$46,354,850 and \$1,228,935, respectively, as of June 30, 2022, and \$41,901,802 and \$1,561,292, respectively, as of June 30, 2021.

Note 6 - FAIR VALUE MEASUREMENTS

The following tables set forth by level within the fair value hierarchy Second Harvest's investments as of June 30, 2022 and 2021:

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

| Description | Based on | | | 2021 Totals |
|---|--|--|-------------------------------------|----------------------|
| | Quoted Prices In Active Markets (Level 1) | Other Observable Inputs (Level 2) | Unobservable Inputs (Level 3) | |
| Mutual funds | \$ 34,635,498 | \$ - | \$ - | \$ 34,635,498 |
| Investments measured as net asset value | | | | <u>8,827,596</u> |
| Investments, at fair value | | | | <u>\$ 43,463,094</u> |

As of June 30, 2022 and 2021, 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, 2022 and 2021 consist of the following:

| | 2022 | | 2021 | |
|-----------------------|---------------------|------------------|---------------------|------------------|
| | Dollars | Pounds | Dollars | Pounds |
| Donated and purchased | \$ 2,901,089 | 1,988,785 | \$ 4,057,848 | 2,637,842 |
| U.S.D.A. commodities | 6,404,961 | 4,193,905 | 974,194 | 644,384 |
| Totals | \$ 9,306,050 | 6,182,690 | \$ 5,032,042 | 3,282,226 |

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, 2022 and 2021 were as follows:

| | 2022 | | 2021 | |
|---|---------------------|-------------------|-----------------------|-------------------|
| | Dollars | Pounds | Dollars | Pounds |
| Receipts: | | | | |
| Donated product | \$54,947,677 | 29,218,257 | \$ 88,182,265 | 49,415,937 |
| Purchased product | 3,245,150 | 2,408,162 | 2,309,795 | 1,719,963 |
| U.S.D.A. commodities | 29,930,616 | 19,562,494 | 30,304,407 | 17,826,122 |
| Totals | \$88,123,443 | 51,188,913 | \$ 120,796,467 | 68,962,022 |
| Distributions, net of adjustments: | | | | |
| Donated product | \$56,034,380 | 29,811,567 | \$ 88,598,915 | 49,649,166 |
| Purchased product | 3,315,206 | 2,463,909 | 2,373,988 | 1,769,845 |
| U.S.D.A. commodities | 24,499,849 | 16,012,973 | 31,079,779 | 18,282,223 |
| Totals | \$83,849,435 | 48,288,449 | \$ 122,052,682 | 69,701,234 |

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|---------------|---------------|
| Building and improvements | \$ 9,152,986 | \$ 9,152,986 |
| Land | 1,960,000 | 1,960,000 |
| Vehicles | 2,826,785 | 2,826,785 |
| Furniture, fixtures, and equipment | 3,436,948 | 3,145,366 |
| Construction in progress (See Notes 4 and 25) | 12,419,924 | 5,241,954 |
| Leasehold improvements | 56,843 | 56,843 |
| | 29,853,486 | 22,383,934 |
| Less: accumulated depreciation | (6,517,142) | (5,838,683) |
| Totals | \$ 23,336,344 | \$ 16,545,251 |

Note 10 - CAPITAL LEASE OBLIGATIONS

Second Harvest has capital leasing arrangements for vehicles with varying imputed interest rates from approximately 4.5% to 5.8%. The leases require monthly payments, including interest, ranging from \$1,096 to \$2,025. The leases mature in months ranging from June 2023 through March 2026. The following is a schedule of capitalized costs and accumulated depreciation acquired through capital lease as of June 30, 2022 and 2021.

| | 2022 | 2021 |
|--------------------------|------------|------------|
| Capitalized costs | \$ 713,782 | \$ 713,782 |
| Accumulated depreciation | (480,523) | (376,646) |
| Net book value | \$ 233,259 | \$ 337,136 |

Depreciation expense on equipment acquired through the capital leases totaled \$103,877 for each of the years ended June 30, 2022 and 2021.

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

Interest expense on the capital lease obligations totaled \$16,825 and \$22,309 for the years ended June 30, 2022 and 2021, respectively. Interest expense is included in other operating expenses on the Statement of Functional Expenses.

Note 10 - CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum payments under the capital lease obligations as of June 30, 2022 are as follows:

| Year Ending June 30, | |
|--------------------------------------|------------|
| 2023 | \$ 123,818 |
| 2024 | 108,566 |
| 2025 | 27,769 |
| 2026 | 18,229 |
| Total future payments | 278,382 |
| Less amount representing interest | (18,209) |
| Present value of net future payments | \$ 260,173 |

Note 11 - PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On April 28, 2020, Second Harvest received a \$941,800 loan from a local bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and implemented by the U.S. Small Business Administration (SBA). Interest on the loan was 1%. The loan was forgiven and repaid in full by the SBA on January 19, 2021 and was recorded as other revenue on the Statement of Activities for the year ended June 30, 2021.

Note 12 - 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, 2022 and 2021.

Note 13 - 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 will be supported by investments in the form of cash deposits or publicly traded investments to be available based on Finance Committee recommendations and Board of Directors’ approvals. As of June 30, 2022 and 2021, the Operating Reserve requirements were \$7,061,946 and \$5,649,511, respectively.

Note 14 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Subject to expenditure for specified purpose: | | |
| Sustainability and long-term strategic goals | \$25,000,000 | \$25,000,000 |
| Capital campaign (See Note 4) | 3,230,981 | 4,845,106 |
| Food distribution program | 1,064,994 | 484,994 |
| Mobile market program | 250,000 | 414,041 |
| Therapeutic food pantry | 235,697 | 74,734 |
| Backpack program | 148,500 | 149,368 |
| Senior program | 144,086 | - |
| Community Accelerator | 113,899 | - |
| LA collaborative | 106,948 | 336,939 |
| School pantry program | 91,069 | 52,152 |
| Capital | 90,000 | 15,000 |
| Mobile pantry program | 17,392 | 102,109 |
| Summer feeding program | 5,267 | 64,833 |
| Kids Café program | 1,667 | 3,333 |
| COVID-19 disaster relief | - | 15,000 |
| Subject to passage of time: | | |
| Unconditional promises to give | 65,075 | 96,868 |
| | <u>30,565,575</u> | <u>31,654,477</u> |
| Endowment fund | <u>1,228,935</u> | <u>1,561,292</u> |
| Total net assets with donor restrictions | <u>\$31,794,510</u> | <u>\$33,215,769</u> |

Note 14 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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 the organization works to develop a framework for use of these funds in support of the donor’s intent. 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.

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or passage of time specified by donors.

| | 2022 | 2021 |
|---------------------------|--------------|--------------|
| Capital campaign | \$ 3,397,553 | \$ 5,086,520 |
| Food distribution program | 401,786 | 245,885 |
| LA collaborative | 229,991 | - |
| Mobile market program | 164,041 | - |
| Backpack program | 149,368 | 140,000 |
| Mobile pantry program | 102,109 | 15,800 |
| Transfer from endowment | 93,641 | 86,019 |
| Summer feeding program | 63,168 | - |
| Therapeutic food pantry | 62,819 | 230,487 |
| School pantry program | 50,485 | 35,000 |
| Other pledges | 31,793 | 4,345 |
| COVID-19 disaster relief | 15,000 | 171,355 |
| Capital | 15,000 | - |
| Kids Café program | 1,666 | - |
| Order ahead program | - | 16,187 |
| | \$ 4,778,420 | \$ 6,031,598 |
| Totals | | |

Note 15 - 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.

Note 15 - ENDOWMENT (Continued)

The Endowments. Second Harvest's endowment fund consists of 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.

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.

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 15 - ENDOWMENT (Continued)

The composition of endowment net assets with donor restrictions as of June 30, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| Original donor-restricted gift amount required to be maintained in perpetuity by donor | \$ 1,000,000 | \$ 1,000,000 |
| Accumulated investment gains | 228,935 | 561,292 |
| With donor restrictions | \$ 1,228,935 | \$ 1,561,292 |

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

| | 2022 | | |
|---|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| 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 |
| | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| Endowment net assets, Beginning of year | \$ 442,183 | \$ 1,229,163 | \$ 1,671,346 |
| Earnings | 4,467 | 430,565 | 435,032 |
| Fees | (4,467) | (12,417) | (16,884) |
| Transfers | 86,019 | (86,019) | - |
| Endowment net assets, end of year | \$ 528,202 | \$ 1,561,292 | \$ 2,089,494 |

Note 15 - 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, 2022 and 2021.

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 that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term.

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

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

Note 16 - 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.

Second Harvest’s Board of Directors also designates 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.

Note 16 - AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following reflects Second Harvest's financial assets as of June 30, 2022, reduced by amounts not available for general use because of donor-imposed restrictions.

| | |
|--|--|
| Financial assets: | |
| Cash and cash equivalents | \$ 4,811,974 |
| Contributions receivable | 3,418,826 |
| Grants receivable | 1,768,959 |
| Other receivables | 536,746 |
| Investments | <u>47,583,785</u> |
| Total financial assets as of June 30, 2022 | 58,120,290 |
| Less amounts unavailable for general expenditures within one year, due to: | |
| Donor imposed restrictions: | |
| Restricted by donors with purpose restrictions | (30,565,575) |
| Endowment fund | <u>(1,228,935)</u> |
| Financial assets available to meet cash needs for general expenditures within one year before board designations | 26,325,780 |
| Less board designations | <u>(7,061,946)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 19,263,834</u></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 17 - 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 \$275,723 (retirement \$176,032, benefits \$99,691) and \$231,585 (retirement \$148,751, benefits \$82,834), for the years ended June 30, 2022 and 2021, respectively.

Note 18 - LEASES

Second Harvest as Lessee

Second Harvest leases warehouse and office space in Lafayette under an operating lease. The current lease agreement for Lafayette is for the period January 1, 2018 through December 31, 2022. Monthly payments on the lease are \$8,349. Second Harvest also 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 leases three trucks under operating leases. The current lease agreements are for the period July 1, 2014 through June 30, 2024. Monthly payments on the leases are \$5,206. Second Harvest also leases four copier machines under operating leases. The current lease agreements vary from periods April 1, 2020 through June 14, 2024. Monthly payments on the leases are \$1,600.

Rent expense for the leases for the years ended June 30, 2022 and 2021 was \$181,860 and \$193,451, respectively.

As of June 30, 2022, minimum future obligations under operating leases having an initial lease term of one year or more are as follows:

| <u>Year Ending</u> <u>June 30,</u> | <u>Amounts</u> |
|---------------------------------------|--------------------------|
| 2023 | \$ 149,248 |
| 2024 | 67,208 |
| 2025 | 38,400 |
| 2026 | 38,400 |
| 2027 | <u>35,200</u> |
| Total | <u><u>\$ 328,456</u></u> |

Note 18 - LEASES (Continued)

Second Harvest as Lessor

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

Rental income was \$86,613 and \$122,266 for the years ended June 30, 2022 and 2021, respectively.

Note 19 - SIGNIFICANT CONTRACTS AND GRANTS

For the years ended June 30, 2022 and 2021, \$32,983,693 and \$34,828,141, respectively, (which includes \$351,084 and \$441,997, 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 20 - 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, 2022 and 2021.

Note 21 - 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, 2022, uninsured cash and cash equivalent balances were approximately \$3,142,000.

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, 2022, cash in excess of the insured limits was approximately \$1,134,000.

Note 22 - 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 23 - BOARD OF DIRECTORS COMPENSATION

The members of Second Harvest's Board were not compensated during the years ended June 30, 2022 and 2021.

Note 24 - RELATED PARTY TRANSACTIONS

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

Second Harvest paid the Archdiocese \$386,416 and \$366,405 for general liability, property coverage, workmen's compensation, and vehicle insurances for the years ended June 30, 2022 and 2021, respectively.

Second Harvest has a line of credit arrangement with the Archdiocese as described in Note 12.

Note 25 - COMMITMENTS ON CONSTRUCTION CONTRACTS

Second Harvest entered into a contract for architect services relating to the construction of a new building totaling approximately \$753,000. Additionally, Second Harvest entered into a second contract for architect services relating to roof replacement and HVAC installation totaling approximately \$275,000. As of June 30, 2022, Second Harvest has incurred architect costs of \$1,027,000 related to these contracts. (See Notes 4 and 9.)

Second Harvest entered into a contract for roof replacement and HVAC installation totaling approximately \$2,910,000. As of June 30, 2022, Second Harvest has incurred construction costs of \$2,570,000 related to this contract. (See Notes 4 and 9.)

Note 25 - COMMITMENTS ON CONSTRUCTION CONTRACTS (Continued)

Second Harvest entered into a contract for the construction of the new building totaling approximately \$7,727,000. As of June 30, 2022, Second Harvest has incurred construction costs of \$7,430,000 related to this contract. (See Notes 4 and 9.)

Note 26 - ARCHDIOCESE OF NEW ORLEANS REORGANIZATION

On May 1, 2020, the Archdiocese filed for reorganization under Chapter 11 of the Bankruptcy Code. 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 2020 and efforts to bring an equitable resolution to litigation stemming from alleged decades-old incidents of clergy abuse. Second Harvest is a separately incorporated 501(c)(3) and not a part of the debtor entity, as defined by the United States Bankruptcy Court pursuant to the Chapter 11 filing. Management is not able to estimate the impact, if any, that the Chapter 11 filing will have on its financial statements. No restrictions exist on the use of any money held in pooled assets managed by the Foundation.

On April 14, 2022, the Official Committee of Unsecured Creditors filed suit against the Archdiocese and several other entities including Second Harvest (although Second Harvest was misnamed in the suit as Second Harvest food Bank). The suit sought declaration that certain funds of Second Harvest were property of the Archdiocese. On October 28, 2022 the suit was dismissed without prejudice because the Committee did not have standing at the time the suit was filed.

Note 27 - SUBSEQUENT EVENT

On August 26, 2022, Second Harvest purchased a 23,000 square foot warehouse in Lake Charles, Louisiana for \$1,200,000. The warehouse will be utilized to expand food distribution efforts, in response to multiple disasters in the region, and as part of the long-term strategy to support the community. No debt was incurred to acquire this property.

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, 2022
(Unaudited)

FORM 1

| FUNCTIONAL BUDGET SPREADSHEET 2021 - 2022 | | ADMINISTRATION | | | PROGRAM |
|--|---|----------------|---------------------------|---------------------|-------------------|
| | | AGENCY | FUNDRAISING | TOTAL | SERVICES |
| | | | Management and General | PROGRAM SERVICES | Second Harvest |
| | | 1 | 2 | 3 | 4 |
| REVENUE: | | | | | |
| 1 | 4200 BOARD GENERATED SELF SUPPORT | \$ - | \$ - | \$ - | \$ - |
| 2 | 4008 4016 4031..4053 CLIENT GENERATED SELF SUPPORT | 13,543,772 | - | 13,543,772 | 13,543,772 |
| 3 | 4061-4069 GOVERNMENT GRANTS/CONTRACTS | 34,307,876 | - | 34,307,876 | 34,307,876 |
| 4 | 4010..4013 4017..4020 OTHER FOUNDATIONS OR NATIONAL GRANTS | 8,131,282 | - | 8,131,282 | 8,131,282 |
| 5 | 4081-4450 4021 OTHER REVENUE | (42,750) | - | (42,750) | (42,750) |
| 6 | 5005-5019 IN-KIND/NON-CASH CONTRIBUTIONS | 55,481,969 | - | 55,481,969 | 55,481,969 |
| 7 | TOTAL SELF GENERATED REVENUE | 111,422,149 | - | 111,422,149 | 111,422,149 |
| 8 | 4072 UNITED WAY DESIGNATIONS AND ALLOCATIONS | 33,594 | - | 33,594 | 33,594 |
| 9 | 4071 CFC DESIGNATIONS | - | - | - | - |
| 10 | 4073 4075 4076 4078 OTHER UNITED WAY GRANTS | 226,495 | - | 226,495 | 226,495 |
| 11 | TOTAL REVENUE | 111,682,238 | - | 111,682,238 | 111,682,238 |
| 12 | 4074 UNITED WAY GNO REQUEST | 50,000 | - | 50,000 | 50,000 |
| 13 | GRAND TOTAL REVENUE | 111,732,238 | - | 111,732,238 | 111,732,238 |
| EXPENSES: | | | | | |
| 14 | 6005-6019 SALARIES | 6,224,725 | 1,761,292 | 4,463,433 | 4,463,433 |
| 15 | 6020-6029 BENEFITS | 1,010,905 | 283,607 | 727,298 | 727,298 |
| 16 | 6040-6049 TAXES | 459,007 | 129,833 | 329,174 | 329,174 |
| 17 | 6300-6399 OCCUPANCY EXPENSES | 866,417 | 151 | 866,266 | 866,266 |
| 18 | 6400-6499 TRAVEL AND TRANSPORTATION EXPENSE | 900,095 | 37,742 | 862,353 | 862,353 |
| 19 | 6500-6599 ex 6503 OFFICE SUPPLIES | 227,100 | 22,945 | 204,155 | 204,155 |
| 20 | 6107-6115 PRINTING | 52,954 | 14,605 | 38,349 | 38,349 |
| 21 | 6700..6849 6 DIRECT ASSISTANCE TO INDIVIDUALS | 4,528,662 | 50,897 | 4,477,765 | 4,477,765 |
| 22 | 6050-6106 6117-6299 6600-6699 7000-7099 7200-9999 6850-6899 OTHER | 2,735,751 | 467,342 | 2,268,409 | 2,268,409 |
| 23 | 7100-7199 IN-KIND/NON-CASH CONTRIBUTIONS | 80,911,799 | 221,381 | 80,690,418 | 80,690,418 |
| 24 | 6900-6999 BOARD GENERATED SELF SUPPORT | 1,386,370 | 950,220 | 436,150 | 436,150 |
| 25 | GRAND TOTAL EXPENSES | \$ 99,303,785 | \$ 3,940,015 | \$ 95,363,770 | \$ 95,363,770 |
| 26 | NET DIFFERENCE | \$ 12,428,453 | \$ (3,940,015) | \$ 16,368,468 | \$ 16,368,468 |

EXPENSES ANALYSIS:

| | |
|--------------------------------------|---------------|
| 27-Total Direct Program Expenses | \$ 95,363,770 |
| 28-Percent of Total Program Expenses | 100% |
| 29-Distribution of M & G Expenses | \$ 3,940,015 |
| 30-Grand Total Program Expenses | \$ 99,303,785 |
| 31-Projected Undup. People Served | 300,000 |
| 32-Cost per Person | \$ 331 |

See Accountant's Disclaimer of Opinion.

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2022

Agency Head Name: Natalie Jayroe, CEO

Purpose

| | |
|--|-------------|
| Salary | \$ 229,707 |
| Benefits - insurance | 9,086 |
| Benefits - retirement | 5,984 |
| Benefits - other | 3,420 |
| Car allowance | 0 |
| Vehicle provided by government | 0 |
| Per diem | 0 |
| Reimbursements | 460 |
| Travel | 149 |
| Registration fees | 545 |
| Conference travel | 1,166 |
| Continuing professional education fees | 545 |
| Housing | 0 |
| Unvouchered expenses | 0 |
| Special meals | 0 |
| | <hr/> |
| | \$ 251,062 |
| | <hr/> <hr/> |

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, 2022, 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 February 6, 2023.

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.
February 6, 2023.

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, 2022. 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, 2022.

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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana.
February 6, 2023.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2022

| <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 | \$ 24,499,849 | \$ 29,930,616 |
| Emergency Food Assistance Program (Administrative Costs) | 10.568 | | 2,701,993 |
| <u>Louisiana Department of Education:</u> | | | |
| Child and Adult Care Food Program | 10.558 | | 144,069 |
| Summer Food Service Program | 10.559 | | 155,313 |
| <u>Louisiana Department of Children and Family Services:</u> | | | |
| Supplemental Nutrition Assistance Program | 10.561 | | 123,573 |
| United States Department of Housing and Urban Development (HUD) | | | |
| <u>Pass-through Programs From:</u> | | | |
| <u>Lafayette City-Parish Consolidated Government</u> | | | |
| Community Development Block Grants / Entitlement Grants | 14.218 | | 44,075 |
| United States Department of Homeland Security: | | | |
| Emergency Food and Shelter Assistance Program | | | |
| National Board Program (Phase 37, 38, 39) | 97.024 | | 191,970 |
| National Board Program (CARES) | 97.024 | | 12,894 |
| National Board Program (ARPA-R) | 97.024 | | 599,030 |
| Total expenditures of federal awards | | <u>\$ 24,499,849</u> | <u>\$ 33,903,533</u> |

See accompanying notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2022

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, 2022. 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, 2022.

c. Payments to Subrecipients

There were no payments to subrecipients for the year ended June 30, 2022. Food commodities of \$24,499,849 were passed through to subrecipients.

Note 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal revenues of \$33,903,533 are reported on the Statement of Activities and classified as fees and grants from other federal agencies of \$1,270,924, U.S. Department of Agriculture commodities of \$29,930,616, and U.S. Department of Agriculture administration of \$2,701,993.

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 \$24,499,849 for the year ended June 30, 2022.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2022

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 Auditors' Results (Continued)

c) Identification of Major Programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|---|
| 10.569 | Emergency Food Assistance Program (Food Commodities) |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) |

Dollar threshold used to distinguish
between Type A and Type B programs: \$1,017,106

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

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS

Second Harvest Food Bank of Greater New Orleans and Acadiana

For the year ended June 30, 2022

**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, 2021.

Compliance and Other Matters

There were no compliance findings material to the financial statements reported during the audit for the year ended June 30, 2021.

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, 2021 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

For the year ended June 30, 2022

**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.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2022.

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 3 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, 2021 through June 30, 2022. 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, 2021 through June 30, 2022. 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 3.

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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
February 6, 2023.

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, 2022

The required procedures and our findings are as follows:

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

1. Obtain 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 operations:
 - a) 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.
 - b) 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.
 - c) 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.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

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

Exceptions: There were no exceptions noted.

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

- e) 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.

- f) 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 purchasing handbook for contracting and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

- g) 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.

- h) 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.

- i) Ethics, including (1) the 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) requirement that all employees, including elected officials, annually attest through signature verification that they have read Second Harvest's ethics policy.

Not applicable for not-for-profit entities.

- j) 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.

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

- k) 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 Second Harvest's information technology disaster recovery/business continuity policy.

Exceptions: There were no exceptions noted.

- l) 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.

Procedures Performed on Second Harvest's Board:

2. 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:

- a) 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 2022 Board of Director Meeting minutes and verified the Board met in accordance with Second Harvest's policy.

Exceptions: There were no exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, 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 the entity's collections during the fiscal period.*

Performance: Second Harvest is not on the governmental accounting model. We did inspect the meeting minutes and determined that the minutes referenced or included financial activity relating to public funds.

Exceptions: There were no exceptions noted.

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

- c) 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 Second Harvest.

Procedures Performed on Second Harvest's Bank Reconciliations:

- 3. Obtain a listing of Second Harvest's bank accounts 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 four additional accounts (or all accounts if less than five). 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 was complete.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

- b) 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 June bank reconciliation for the five bank accounts selected.

Exceptions: There were no exceptions noted.

- c) 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 no checks outstanding for longer than 12 months as of the end of the fiscal period.

Exceptions: There were no exceptions noted.

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

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. Select five deposit sites (or all deposit sites if less than five).

Performance: Obtained the listing of deposit sites from management and received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

5. 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., collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their 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 collection location for the deposit site noted and verified procedures were performed by examining transaction documentation.

Exceptions: There were no exceptions noted.

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

Performance: Inquired of management as to all of the requirements, inspected the policy for cash collections.

Exceptions: There were no exceptions noted.

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

Performance: Inquired of management as to all of the requirements, inspected the policy for cash collections.

Exceptions: There were no exceptions noted.

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

Performance: Inquired of management as to all of the requirements, inspected the policy for cash collections.

Exceptions: There were no exceptions noted.

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

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

Performance: Inquired of management as to all of the requirements, inspected the policy for cash collections.

Exceptions: There were no exceptions noted.

6. 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 enforced 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 enforced during the fiscal period.

Exceptions: There were no exceptions noted.

7. Randomly select two deposit dates for each of Second Harvest's five bank accounts selected for procedures #3 under "Procedures Performed on Second Harvest's Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the ten deposits selected and:

- a) Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the selected deposits. The need for sequentially pre-numbered receipts is not applicable to the nature of Second Harvest's deposits.

Exceptions: There were no exceptions noted.

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

Performance: There are no pre-numbered receipts or system reports due to the nature of Second Harvest's activities. Obtained related collection documentation and traced such documentation to the deposit slip.

Exceptions: There were no exceptions noted.

- c) 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.

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

- d) 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 ten miles from the collection location or the deposit is less than \$100 and any cash is stored securely in a locked safe or drawer).
Performance: Observed that the deposits tested were made within one business day of receipt.
Exceptions: There were no exceptions noted.

- e) 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.

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

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

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (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:
 - a) At least two 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 two employees are involved.
Exceptions: There were no exceptions noted.

 - b) At least two 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 two employees are involved.
Exceptions: There were no exceptions noted.

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

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

Performance: Obtained a listing of employees involved in processing payments to vendors. Observed that no employees processing paychecks can add/modify vendor files.

Exceptions: There were no exceptions noted.

- d) 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.

- 10. For each location selected under #8 above, obtain Second Harvest's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Select five 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 that the population is complete. Selected five disbursements from the sole location that processes payment for testing.

Exceptions: There were no exceptions noted.

- a) Observe that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the initial invoice were received by the entity.

Performance: Observed the five disbursements matched the related original invoice and supporting documents indicated the deliverable was received.

Exceptions: There were no exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Exceptions: There were no exceptions noted.

Procedures Performed on Second Harvest's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

11. 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. Obtained management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

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

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

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

Exceptions: There were no exceptions noted.

- b) 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.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have ten transactions subject to testing).

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

- 1) 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.

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

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

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

Exceptions: There were no exceptions noted.

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

Performance: Observed that selected transactions from the monthly statements for meal charges were for individuals or office wide.

Exceptions: There were no exceptions noted.

Procedures Performed on Second Harvest's Travel and Travel-Related Expense Reimbursements:

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

Performance: Obtained a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing is complete. Selected five reimbursements for testing.

Exceptions: There were no exceptions noted.

- a) 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).

Not applicable as Second Harvest does not reimburse using a per diem rate.

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

Performance: Observed the reimbursement was supported by an original itemized receipt that identifies precisely what was purchased.

Exceptions: There were no exceptions noted.

- c) 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 #1h).

Performance: Observed each reimbursement is support by documentation of the business/public purpose.

Exceptions: There were no exceptions noted.

**Procedures Performed on Second Harvest's Travel and Travel-Related Expense Reimbursements:
(Continued)**

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.
Performance: Observed each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.
Exceptions: There were no exceptions noted.

Procedures Performed on Second Harvest's Contracts:

- 15. 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 that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, 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 selected five contracts for testing. Obtained management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

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

There were no contracts subject to the Louisiana Public Bid Law.

- b) Observe that the contract was approved by the governing body/District Council, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

Performance: Contracts examined were approved by the executive director in accordance with Second Harvest's policy. The contracts did not require the governing board's approval. No contracts were entered into which required payments from State funds.

Exceptions: There were no exceptions noted.

- c) 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 the contracts selected were not amended.

Exceptions: There were no exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the five 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: Inspected payments for each of the five contracts with 2022 payments, obtained supporting invoices, agreed invoice 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.

Procedures Performed on Second Harvest's Payroll and Personnel:

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, 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 five 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.

17. Randomly select one pay period during the fiscal period. For the five employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

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

Performance: Selected one pay period to test leave taken during that period. Inspected daily attendance and leave record for proper documentation for those employees who are required to document daily attendance and leave.

Exceptions: There were no exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Performance: Inspected the approval of attendance and leave by the supervisors for the selected employees for those who are required to document daily attendance and leave.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

- d) Observe that the rate paid to the employees agree to the authorized salary/pay rate found within the personnel file.

Performance: Observed the pay rate agreed to authorized salary/pay rates maintained in employee files.

Exceptions: There were no exceptions noted.

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

18. Obtain from management a list of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employees'/officials' cumulative leave records, and agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files and agree termination payments to Second Harvest policy.

Performance: Obtained a listing of employees terminated during the fiscal period and management's representation in a separate letter that the list is complete. The hours used in management's termination payment calculations were agreed to cumulative leave records, pay rates were agreed to authorized pay rates in the personnel files, and we agreed the termination payment to entity policy.

Exceptions: There were no exceptions noted.

19. Obtain management's representation that employer and employee portions of third party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and associated forms have been filed, by required deadlines.

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

Exceptions: There were no exceptions noted.

Procedure Performed on Second Harvest's Ethics:

20. Using the five selected employees/officials from procedure #16 under "Procedures Performed on Second Harvest's Payroll And Personnel", obtain ethics compliance documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Not applicable for not-for-profit entities.

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

Not applicable for not-for-profit entities.

Procedures Performed on Second Harvest's Debt Service:

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtain for each bond/note issued.

Not applicable for not-for-profit entities.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. 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.

Procedures Performed on the Second Harvest's Fraud Notice:

23. 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.

Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period, none were noted.

Exceptions: There were no exceptions noted.

24. 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.

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

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

- a) 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 occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Performance: We performed the procedures and inquired with Second Harvest personnel and discussed the results with management.

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

- b) 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 three months.

Performance: We performed the procedures and inquired with Second Harvest personnel and discussed the results with management.

- c) 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 five 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 procedures and inquired with Second Harvest personnel and discussed the results with management.

Procedures Performed on Second Harvest's Sexual Harassment:

26. Using the five randomly selected employees/officials from procedure #16 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/official completed at least one hour of sexual harassment training during the calendar year.

Not applicable for not-for-profit entities.

27. Observe that 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.

28. 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:

- a) Number and percentage of public servants in the agency who have completed the training requirements;

Not applicable for not-for-profit entities.

- b) Number of sexual harassment complaints received by the agency;

Not applicable for not-for-profit entities.

Procedures Performed on Second Harvest's Sexual Harassment: (Continued)

- c) Number of complaints which resulted in a finding that sexual harassment occurred;

Not applicable for not-for-profit entities.

- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action;

Not applicable for not-for-profit entities.

- e) Amount of time it took to resolve each complaint.

Not applicable for not-for-profit entities.

Management's Overall Response to Exceptions:

There were no exceptions noted.