

FOODNET OF LAFAYETTE, LOUISIANA

Financial Report

Years Ended December 31, 2018 and 2017

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 17
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
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 <i>Government Auditing Standards</i>	19 - 20
Summary schedule of current and prior year audit findings and management's corrective action plan	21 - 22

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Mixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr. Ste. 203
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

INDEPENDENT AUDITOR'S REPORT

* A Professional Accounting Corporation

WWW.KSRCPCAS.COM

To the Officers and Directors
FoodNet of Lafayette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of FoodNet of Lafayette, Louisiana (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FoodNet of Lafayette, Louisiana as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 13 to the financial statements, FoodNet of Lafayette, Louisiana implemented the provisions of the Financial Accounting Standards Board's Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2019, on our consideration of FoodNet of Lafayette, Louisiana'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 FoodNet of Lafayette, Louisiana's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
May 28, 2019

FINANCIAL STATEMENTS

FOODNET OF LAFAYETTE, LOUISIANA

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 218,885	\$202,902
Investments	30,493	31,909
Grants receivable	6,061	4,561
Other receivables	1,986	-
Prepaid expenses	3,406	2,306
Inventory	59,773	88,941
Total current assets	320,604	330,619
Property and equipment, net	117,393	117,728
Total assets	\$ 437,997	\$448,347
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 2,418	\$ 1,786
Accrued payroll	1,669	1,532
Unearned revenue	4,200	-
Total current liabilities	8,287	3,318
Net assets:		
Without donor restrictions-		
Undesignated	330,679	356,352
With donor restrictions	99,031	88,677
Total net assets	429,710	445,029
Total liabilities and net assets	\$ 437,997	\$448,347

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Statement of Activities
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Donations of food	\$ 396,609	\$ -	\$ 396,609
Other donations	131,177	-	131,177
In kind donations	128	-	128
Interest income	819	-	819
Investment income	(1,415)	-	(1,415)
Other income	3,222	-	3,222
Government grants	13,827	-	13,827
Corporate grants	90,623	100,597	191,220
Net assets released from restrictions	<u>90,243</u>	<u>(90,243)</u>	<u>-</u>
Total revenues and other support	<u>725,233</u>	<u>10,354</u>	<u>735,587</u>
Expenses:			
Program services	<u>692,164</u>	<u>-</u>	<u>692,164</u>
Supporting services-			
Management and general	19,576	-	19,576
Fundraising	<u>39,166</u>	<u>-</u>	<u>39,166</u>
Total supporting services	<u>58,742</u>	<u>-</u>	<u>58,742</u>
Total expenses	<u>750,906</u>	<u>-</u>	<u>750,906</u>
Change in net assets	(25,673)	10,354	(15,319)
Net assets, beginning of year	<u>356,352</u>	<u>88,677</u>	<u>445,029</u>
Net assets, end of year	<u>\$ 330,679</u>	<u>\$ 99,031</u>	<u>\$ 429,710</u>

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Statement of Activities
Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Donations of food	\$ 411,264	\$ -	\$ 411,264
Other donations	112,401	-	112,401
In kind donations	-	-	-
Interest income	396	-	396
Investment income	5,574	-	5,574
Other income	4,281	-	4,281
Government grants	16,432	-	16,432
Corporate grants	87,755	102,320	190,075
Net assets released from restrictions	<u>55,442</u>	<u>(55,442)</u>	<u>-</u>
Total revenues and other support	<u>693,545</u>	<u>46,878</u>	<u>740,423</u>
Expenses:			
Program services	<u>733,786</u>	<u>-</u>	<u>733,786</u>
Supporting services-			
Management and general	20,204	-	20,204
Fundraising	<u>42,202</u>	<u>-</u>	<u>42,202</u>
Total supporting services	<u>62,406</u>	<u>-</u>	<u>62,406</u>
Total expenses	<u>796,192</u>	<u>-</u>	<u>796,192</u>
Change in net assets	(102,647)	46,878	(55,769)
Net assets, beginning of year, as restated	<u>458,999</u>	<u>41,799</u>	<u>500,798</u>
Net assets, end of year	<u>\$ 356,352</u>	<u>\$ 88,677</u>	<u>\$ 445,029</u>

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Advertising	\$ -	\$ -	\$ 670	\$ 670	\$ 670
Auto and truck	1,857	-	-	-	1,857
Contract labor	21,066	-	-	-	21,066
Depreciation	7,580	1,748	2,916	4,664	12,244
Dues and subscriptions	-	250	-	250	250
Food distributed	510,363	-	-	-	510,363
Food drive	-	-	7,907	7,907	7,907
Kresge Grant	77,765	-	-	-	77,765
Insurance	6,025	1,506	2,511	4,017	10,042
Legal and accounting	7,848	1,962	3,270	5,232	13,080
Miscellaneous	836	209	348	557	1,393
Payroll taxes	2,687	672	1,120	1,792	4,479
Postage	170	283	679	962	1,132
Rent	1,200	-	-	-	1,200
Repairs and maintenance	2,404	424	-	424	2,828
Supplies	6,290	1,573	2,621	4,194	10,484
Telephone	2,677	669	1,115	1,784	4,461
Trash pickup	3,128	348	-	348	3,476
Utilities	2,174	408	136	544	2,718
Wages and salaries	38,094	9,524	15,873	25,397	63,491
Total	<u>\$ 692,164</u>	<u>\$ 19,576</u>	<u>\$ 39,166</u>	<u>\$ 58,742</u>	<u>\$ 750,906</u>

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Advertising	\$ -	\$ -	\$ 4,110	\$ 4,110	\$ 4,110
Auto and truck	1,624	-	-	-	1,624
Bank charges	-	45	-	45	45
Contract labor	25,019	-	-	-	25,019
Depreciation	6,379	1,595	2,658	4,253	10,632
Dues and subscriptions	-	498	-	498	498
Food distributed	569,649	-	-	-	569,649
Food drive	-	-	7,053	7,053	7,053
Kresge Grant	54,826	-	-	-	54,826
Insurance	5,684	1,421	2,368	3,789	9,473
Legal and accounting	8,337	2,084	3,474	5,558	13,895
Miscellaneous	974	243	406	649	1,623
Payroll taxes	2,825	706	1,177	1,883	4,708
Postage	257	428	1,027	1,455	1,712
Rent	1,200	-	-	-	1,200
Repairs and maintenance	3,167	559	-	559	3,726
Supplies	6,099	1,236	2,058	3,294	9,393
Telephone	2,526	632	1,052	1,684	4,210
Trash pickup	2,914	324	-	324	3,238
Utilities	2,284	427	143	570	2,854
Wages and salaries	<u>40,022</u>	<u>10,006</u>	<u>16,676</u>	<u>26,682</u>	<u>66,704</u>
Total	<u>\$ 733,786</u>	<u>\$ 20,204</u>	<u>\$ 42,202</u>	<u>\$ 62,406</u>	<u>\$ 796,192</u>

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Statements of Cash Flows
For The Year Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (15,319)	\$ (55,769)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities -		
Depreciation	12,244	10,632
Fair market value of investments	5,028	(2,946)
Changes in assets and liabilities-		
Grants receivable	(1,500)	(2,078)
Other receivables	(1,986)	-
Prepaid expenses	(1,100)	(100)
Inventory	29,168	35,200
Accounts payable	632	22
Accrued payroll	137	68
Unearned revenue	4,200	-
Net cash provided (used) by operating activities	31,504	(14,971)
Cash flows from investing activities:		
Purchases of property and equipment	(11,909)	(15,000)
Purchases of investments, net of sales	(3,612)	(2,629)
Net cash used by investing activities	(15,521)	(17,629)
Net increase (decrease) in cash and cash equivalents	15,983	(32,600)
Cash and cash equivalents, beginning of year	202,902	235,502
Cash and cash equivalents, end of year	\$ 218,885	\$ 202,902
Supplemental information:		
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of this statement.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements

(1) Nature of Organization and Significant Accounting Policies

A. Organization and Purpose

FoodNet of Lafayette, Louisiana (Organization) is a nonprofit corporation organized under the laws of the State of Louisiana for the purpose of operating a food bank for the needy of Lafayette Parish, Louisiana.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

D. Investments and Related Income, Gains, and Losses

In accordance with FASB ASC Subtopic 958-320, "*Not-for-Profit Entities-Investments-Debt and Equity Securities*", the Organization carries investments securities at their fair values based on quoted prices in active markets in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

E. Property and Equipment

The Organization's capitalization policy is \$500 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation is computed by the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 40
Furniture and fixtures	5 - 7
Machinery and equipment	5 - 7

F. Revenue and Expense Recognition

Contributions are recognized when the donor makes a commitment to give to the Organization. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classifications.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

Expenses are recognized in the period incurred in accordance with the accrual basis of accounting. When a restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

G. Functional Allocation of Expenses

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square-footage basis, as well as salaries and related benefits, which are allocated on the basis of time and effort.

H. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. Accounting principles generally accepted in the United States of American require the Organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the Organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclose in the financial statements. The Organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

I. Inventory

Inventories purchased by the Organization are valued at the lower of cost or market. Contributed inventories are valued using an approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.68 and \$1.73 during 2018 and 2017, respectively. This amount was based on a study performed by Feeding America. As of December 31, 2018 and 2017, inventory consisted of the following:

	<u>2018</u>	<u>2017</u>
Food	\$ 59,467	\$ 78,971
Other	<u>306</u>	<u>9,970</u>
Total	<u>\$ 59,773</u>	<u>\$ 88,941</u>

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

J. Donated Services and Materials

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program services during the year. These donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied. The Organization received donated materials in the amount of \$128 which was recorded as a program expense during the year ended December 31, 2018.

K. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$670 and \$4,110 for the years ended December 31, 2018 and 2017, respectively.

L. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

M. Reclassifications

For comparative purposes, certain accounts in the prior year financial statements have been reclassified in order to conform to the presentation of the current year financial statements.

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of donor-imposed regulation within one year of the statement of financial position date.

Financial assets, at year-end	\$ 257,425
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed restrictions-	
Restricted by donor with purpose restrictions	<u>(99,031)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 158,394</u>

The Organization has \$146,670 of financial assets available within 1 year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$119,854, investments of \$30,493, grants receivable of \$6,061, and other receivables of \$1,986. As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

(3) Investments

Investments are carried at fair value based on quoted prices in active markets (all Level 1 Measurements) and consist of the following at December 31, 2018 and 2017:

<u>Investment Type</u>	<u>December 31, 2018</u>		<u>December 31, 2017</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual funds:				
Equities	<u>\$ 30,493</u>	<u>\$ 29,518</u>	<u>\$ 31,909</u>	<u>\$ 25,906</u>

The following schedule summarizes the unrestricted investment return for the year ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Return on investments:		
Interest and dividends	\$ 613	\$ 539
Unrealized gain/(loss)	(5,028)	2,946
Realized gain	<u>3,000</u>	<u>2,089</u>
Total return on investments	<u>\$ (1,415)</u>	<u>\$ 5,574</u>

(4) Property and Equipment

Property and equipment consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 174,297	\$ 174,297
Furniture and fixtures	6,215	6,215
Machinery and equipment	<u>47,894</u>	<u>35,985</u>
Total property and equipment	228,406	216,497
Less: Accumulated depreciation	<u>(111,013)</u>	<u>(98,769)</u>
Property and equipment, net	<u>\$ 117,393</u>	<u>\$ 117,728</u>

Total depreciation expense for the years ended December 31, 2018 and 2017 was \$12,244 and \$10,632, respectively.

(5) Fair Value Measurements

Professional standards require the disclosure for fair value measurements of financial assets and liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. The standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b. Level 2 inputs are observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- c. Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the Organization in estimating fair values of financial instruments:

- a. The carrying amount reported in the statement of financial position for the following approximates fair value due to the short maturities of these instruments: cash, receivables, and payables.
- b. The fair value for investment securities are based on quoted market prices at the reporting date multiplied by the quantity held. The carrying value equals fair value.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017:

December 31, 2018:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Mutual funds:				
Equities	<u>\$ 30,493</u>	<u>\$ 30,493</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2017:

Description	Total	(Level 1)	(Level 2)	(Level 3)
Mutual funds:				
Equities	<u>\$ 31,909</u>	<u>\$ 31,909</u>	<u>\$ -</u>	<u>\$ -</u>

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

(6) Net Assets Released from Donor Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors during the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Kresge grant	\$ 89,674	\$54,826
Red Rover grant	569	616
	<u>\$90,243</u>	<u>\$55,442</u>

The following represents the detailed expenses related to the Kresge grant for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Contract labor	\$33,370	\$14,300
Consultant	2,250	17,528
Indirect costs	17,174	17,417
Planned activities	13,052	-
Supplies	10,480	585
Travel	1,439	4,996
	77,765	54,826
Equipment/vehicle purchases	11,909	-
Total	<u>\$ 89,674</u>	<u>\$ 54,826</u>

(7) Net Assets with Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Kresge grant	\$ 97,299	\$86,973
Red Rover grant	1,732	1,704
	<u>\$ 99,031</u>	<u>\$88,677</u>

(8) Concentration of Credit Risk

The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Additionally, the Organization maintains an account with an investment broker. These assets are insured by the Securities Investor Protection Corporation up to \$500,000 per institution. At December 31, 2018 and 2017, the Organization's cash balances were fully secured.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

(9) Concentrations

Approximately 14% and 12% of the Organization's food donations were provided by the KLFY Food for Families Food Drive for the years ended December 31, 2018 and 2017, respectively. Approximately 17% and 10% of the Organization's food donations were provided by the Letter Carrier Food Drive for the years ended December 31, 2018 and 2017, respectively.

(10) Food Purchased for Distribution

The Organization distributed food in amount of \$510,363 and \$569,649 for the years ended December 31, 2018 and 2017, respectively. Of this amount, \$84,017 and \$122,269 was purchased for distribution by the Organization during 2018 and 2017, respectively.

(11) Compensation, Benefits, and Other Payments to Agency Head

The Organization's agency head did not receive any compensation, benefits, or other payments from public funds for the year ended December 31, 2018.

(12) New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9, Revenue from Contracts with Customers (Topic 606). This guidance is a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be more entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under existing guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. On July 9, 2015, the FASB agreed to delay the effective date of the standard by one year. Therefore, the new standard will be effective for annual periods beginning after December 31, 2018 and is not expected to have a significant impact on the Organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) intended to improve financial reporting regarding leasing transactions. The new standard affects all companies and organizations that lease assets and liabilities for the rights and obligations created by those leases if the lease terms are more than 12 months. The guidance also will require qualitative quantitative disclosures providing additional information about the amounts recorded in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is evaluating the potential impact of the amendment on the Organization's financial statements.

FOODNET OF LAFAYETTE, LOUISIANA

Notes to Financial Statements (Continued)

The FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*, which made the following changes that may affect the Organization: Debt Prepayment or Debt Extinguishment Costs: Cash payments for debt prepayment or debt extinguishment costs should be classified as cash flows for financing activities. The amendments in this ASU will be effective for entities other than public business entities for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization does not expect the guidance to have a material impact on its financial statements.

(13) Change in Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14) in August 2016. The Organization has changed the presentation of its financial statements accordingly, applying the changes retrospectively to beginning net assets presented. The new standard changed the following aspects of the Organization's financial statements: temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class named net assets with donor restrictions; the unrestricted net asset class has been changed to net assets without donor restrictions; and the financial statements include a new disclosure relative to the liquidity and availability of resources.

The adoption of ASU 2016-14 had the following effect on previously reported net assets.

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted - undesignated	\$ 354,424	\$ -
Temporarily restricted	90,605	-
Net assets without donor restrictions-		
Undesignated	-	356,352
Net assets with donor restrictions-		
Purpose restriction	-	88,677
	<u>\$ 445,029</u>	<u>\$ 445,029</u>

(14) Subsequent Event Review

The Organization's management has evaluated subsequent events through May 28, 2019, the date which the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA*
Victor R. Slaven, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*
Brad E. Kolder, CPA, JD*
Stephen J. Anderson, CPA*
Christine C. Doucet, CPA
Wanda F. Arcement, CPA, CVA
Bryan K. Joubert, CPA
Matthew E. Margaglio, CPA
Casey L. Ardoin, CPA, CFE

183 S. Beadle Rd.
Lafayette, LA 70508
Phone (337) 232-4141

11929 Bricksome Ave.
Baton Rouge, LA 70816
Phone (225) 293-8300

1428 Metro Dr.
Alexandria, LA 71301
Phone (318) 442-4421

450 E. Main St.
New Iberia, LA 70560
Phone (337) 367-9204

200 S. Main St.
Abbeville, LA 70510
Phone (337) 893-7944

1234 David Dr. Ste. 203
Morgan City, LA 70380
Phone (985) 384-2020

434 E. Main St.
Ville Platte, LA 70586
Phone (337) 363-2792

332 W. Sixth Ave.
Oberlin, LA 70655
Phone (337) 639-4737

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

WWW.KCSRCPAS.COM

* A Professional Accounting Corporation

To the Officers and Directors
FoodNet of Lafayette, 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 the FoodNet of Lafayette, Louisiana (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FoodNet of Lafayette, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FoodNet of Lafayette, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FoodNet of Lafayette, Louisiana'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

FoodNet of Lafayette, Louisiana's Response to Findings

FoodNet of Lafayette, Louisiana's response to the findings identified in our audit is described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan. FoodNet of Lafayette, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suited for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
May 28, 2019

FOODNET OF LAFAYETTE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended December 31, 2018

Part 1. Current Year Findings and Management's Corrective Action Plan

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

2018-001 Inadequate Controls Over Disbursements

Fiscal year finding initially occurred: 2018

CONDITION: The Organization did not have adequate controls to ensure reimbursements for grant related expenses were not duplicated.

CRITERIA: The Organization should have controls over their disbursement processes to ensure invoices submitted for reimbursement are not paid more than one time.

CAUSE: The Organization did not have adequate procedures in place to identify duplicate invoices being submitted for reimbursement.

EFFECT: The Organization issued payments on duplicate invoices for two check requests totaling \$1,658.

RECOMMENDATION: The Organization should establish policies and procedures to ensure invoices submitted with check requests are not duplicated.

MANAGEMENT'S CORRECTION ACTION PLAN: The Organization will develop policies and procedures to determine that invoices on check requests are not duplicated prior to issuing payment.

2018-002 Inadequate Controls Over Disbursements

Fiscal year finding initially occurred: 2018

CONDITION: The Organization did not have adequate controls to ensure reimbursements for grant related expenses had proper supporting documentation prior to payment.

CRITERIA: The Organization should have controls over their disbursement processes to ensure proper supporting documentation is obtained prior to remitting payment.

CAUSE: The Organization did not have adequate procedures in place to identify that a check request did not have proper supporting documentation.

EFFECT: The Organization was unable to provide supporting documentation for the purchase of an enclosed utility trailer in the amount of \$1,400 and other expenses of \$328.

FOODNET OF LAFAYETTE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year Ended December 31, 2018

RECOMMENDATION: The Organization should establish policies and procedures to ensure proper supporting documentation is obtained for all disbursements prior to the issuance of payment.

MANAGEMENT'S CORRECTION ACTION PLAN: The Organization will review its procedures to ensure supporting documentation is maintained with all disbursements.

Part II. Prior Year Findings

A. Compliance Findings-

There are no findings to report under this section.

B. Internal Control Findings-

There are no findings to report under this section.