
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2010



THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Greater Baton Rouge Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, on our consideration of The Greater Baton Rouge Food Bank'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville
Baton Rouge, Louisiana
June 30, 2011

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u> (as restated)
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 725,473	\$ 612,440
Restricted Cash	1,016,465	1,065,186
Certificates of deposits	214,601	212,896
Accounts receivable, net of allowances for doubtful accounts of \$0 and \$6,700 in 2010 and 2009	55,023	132,158
Unconditional promises to give	848,149	325,498
Promise to give - United Way	125,000	100,000
Food inventory - donated and purchased	1,846,737	1,838,664
Food inventory - commodities	87,979	209,030
Total current assets	<u>4,919,427</u>	<u>4,495,872</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	6,685,574	6,680,574
Construction in process	16,391	-
Vehicles	233,145	233,145
Furniture, fixtures, and equipment	346,566	314,019
	<u>7,781,676</u>	<u>7,727,738</u>
Less: Accumulated depreciation	<u>(1,490,004)</u>	<u>(1,196,152)</u>
	<u>6,291,672</u>	<u>6,531,586</u>
<u>OTHER ASSETS</u>		
Investments - restricted (footnote 14)	750,328	644,490
Long-term portion of unconditional promises to give	1,791,465	290,173
Total other assets	<u>2,541,793</u>	<u>934,663</u>
 Total assets	 <u>\$ 13,752,892</u>	 <u>\$ 11,962,121</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2010	2009 (as restated)
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 55,789	\$ 68,151
Accrued expenses and other liabilities	35,050	26,538
Note payable - current portion	532,405	500,000
Total current liabilities	<u>623,244</u>	<u>594,689</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	1,834,048	2,250,000
Total long-term liabilities	<u>1,834,048</u>	<u>2,250,000</u>
Total liabilities	<u>2,457,292</u>	<u>2,844,689</u>
<u>NET ASSETS</u>		
Unrestricted	6,662,747	6,692,085
Temporarily restricted	4,097,566	1,935,413
Permanently restricted	535,287	489,934
Total net assets	<u>11,295,600</u>	<u>9,117,432</u>
Total liabilities and net assets	\$ 13,752,892	\$ 11,962,121

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 1,162,734	\$ 2,855,134	\$ 45,353	\$ 4,063,221
United Way	125,000	125,000	-	250,000
Special events	144,855	-	-	144,855
FEMA	42,200	-	-	42,200
Donated services and gifts in kind	57,659	-	-	57,659
America's Second Harvest	-	-	-	-
Grant revenues	55,919	170,301	-	226,220
Local government support	33,900	-	-	33,900
USDA commodities reimbursements	341,168	-	-	341,168
Investment gains (losses)	68,088	-	-	68,088
Food donations received	13,153,120	-	-	13,153,120
Commodities received	2,216,763	-	-	2,216,763
Cluster transportation	33,477	-	-	33,477
Central Regions Food Bank	13,500	-	-	13,500
Other	58,737	-	-	58,737
Total revenues	17,507,120	3,150,435	45,353	20,702,908
Net assets released from restrictions				
Satisfaction of purpose of restrictions	988,282	(988,282)	-	-
Total revenues	18,495,402	2,162,153	45,353	20,702,908
<u>EXPENSES</u>				
Program	17,730,891	-	-	17,730,891
Administration	197,285	-	-	197,285
Fundraising	596,564	-	-	596,564
Total expenses	18,524,740	-	-	18,524,740
<u>CHANGE IN NET ASSETS</u>	(29,338)	2,162,153	45,353	2,178,168
Net assets - beginning of year, as previously reported	6,609,636	1,935,413	489,934	9,034,983
Correction of an error for understatement of inventory (see note 15)	82,449	-	-	82,449
Net assets- beginning of year, as restated	6,692,085	1,935,413	489,934	9,117,432
Net assets - end of period	\$ 6,662,747	\$ 4,097,566	\$ 535,287	\$ 11,295,600

The accompanying notes are an integral part of these statements.

2009

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,176,813	\$ 456,740	\$ 38,107	\$ 1,671,660
100,000	100,000	-	200,000
147,639	-	-	147,639
69,847	-	-	69,847
2,389,259	-	-	2,389,259
1,200	-	-	1,200
137,246	36,039	-	173,285
35,000	-	-	35,000
318,350	-	-	318,350
71,280	-	-	71,280
12,482,208	-	-	12,482,208
2,162,182	-	-	2,162,182
62,430	-	-	62,430
-	-	-	-
18,446	-	-	18,446
19,171,900	592,779	38,107	19,802,786
974,723	(974,723)	-	-
20,146,623	(381,944)	38,107	19,802,786
16,803,732	-	-	16,803,732
131,995	-	-	131,995
424,385	-	-	424,385
17,360,112	-	-	17,360,112
2,786,511	(381,944)	38,107	2,442,674
3,905,574	2,317,357	451,827	6,674,758
-	-	-	-
-	-	-	-
\$ 6,692,085	\$ 1,935,413	\$ 489,934	\$ 9,117,432

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 10,995	\$ -	\$ 10,995
Advertising	27,216	-	1,737	28,953
Bad debt expense	2,921	-	-	2,921
Capital Campaign	-	-	152,728	152,728
Central regions food bank	-	13,500	-	13,500
Cluster transportation	12,749	-	-	12,749
Cold storage	4,940	-	-	4,940
Conferences	18,385	-	-	18,385
Depreciation	293,852	-	-	293,852
Direct mail expense	-	-	225,990	225,990
Distribution of commodities	2,337,814	-	-	2,337,814
Distribution of donated food	12,981,920	-	-	12,981,920
Dues	21,709	-	1,386	23,095
Food purchases with FEMA revenue	42,200	-	-	42,200
Fuel and mileage	66,843	2,133	2,133	71,109
In-kind expense	57,659	-	-	57,659
Insurance	195,740	-	-	195,740
Interest expense	-	125,395	-	125,395
Investment fees and expenses	5,607	-	-	5,607
Miscellaneous expense	62,264	-	2,594	64,858
Payroll taxes	69,124	2,469	10,698	82,291
Postage	10,226	-	20,761	30,987
Printing and publication	14,749	-	21,224	35,973
Repairs and maintenance	71,350	-	-	71,350
Retirement	10,407	372	1,611	12,390
Salaries	843,111	30,111	130,482	1,003,704
Special event expense	-	-	20,029	20,029
Supplies	24,207	6,052	-	30,259
Telephone	11,605	2,901	4,836	19,342
Transportation	108,347	-	-	108,347
Training	7,292	-	-	7,292
Utilities	56,182	567	-	56,749
Vehicle leases	89,558	-	-	89,558
Volunteer program	6,748	-	355	7,103
Waste disposal	276,166	2,790	-	278,956
	<u>\$ 17,730,891</u>	<u>\$ 197,285</u>	<u>\$ 596,564</u>	<u>\$ 18,524,740</u>

The accompanying notes are an integral part of these statements.

2009

Program	Administration	Fundraising	Total
\$ -	\$ 31,015	\$ -	\$ 31,015
31,176	-	1,990	33,166
9,398	-	-	9,398
108,375	-	48,774	157,149
-	-	-	-
67,190	-	-	67,190
5,330	-	-	5,330
7,474	-	-	7,474
219,248	-	-	219,248
-	-	167,791	167,791
2,064,615	-	-	2,064,615
12,520,949	-	-	12,520,949
19,008	-	1,213	20,221
69,847	-	-	69,847
50,264	1,604	1,604	53,472
105,637	-	-	105,637
228,074	-	-	228,074
-	61,912	-	61,912
4,683	-	-	4,683
61,599	-	2,567	64,166
63,130	2,255	9,770	75,155
8,791	-	17,847	26,638
12,902	-	18,567	31,469
70,978	-	-	70,978
12,772	456	1,977	15,205
794,090	28,360	122,895	945,345
-	-	25,226	25,226
13,954	3,489	-	17,443
9,091	2,273	3,788	15,152
85,964	-	-	85,964
-	-	-	-
39,231	396	-	39,627
89,583	-	-	89,583
7,142	-	376	7,518
23,237	235	-	23,472
<u>\$ 16,803,732</u>	<u>\$ 131,995</u>	<u>\$ 424,385</u>	<u>\$ 17,360,112</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,178,168	\$ 2,442,674
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(45,353)	(38,107)
Bad debt expense	2,921	9,398
Depreciation	293,852	219,248
Unrealized depreciation (appreciation) of investments	(59,837)	(60,775)
Donated inventory and other assets	(8,073)	(2,268,708)
Net change in:		
Accounts receivable	74,214	(78,987)
Unconditional promises to give	(2,023,943)	(68,168)
Promise to give - United Way	(25,000)	(22,039)
Prepaid expenses	-	18,431
Commodities inventory	121,051	(97,567)
Accounts payable	(12,362)	54,088
Accrued expenses and other liabilities	8,512	10,376
Net cash provided by operating activities	<u>504,150</u>	<u>119,864</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Expenditures for property and equipment	(53,938)	(637,897)
Purchase of investments	(47,706)	(45,476)
Net cash used in investing activities	<u>(101,644)</u>	<u>(683,373)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	45,353	38,107
Principal payments on notes payable	(505,267)	-
Proceeds from notes payable	121,720	-
Net cash provided by (used in) financing activities	<u>(338,194)</u>	<u>38,107</u>
Net change in cash and cash equivalents	64,312	(525,402)
Cash and cash equivalents at beginning of year	<u>1,677,626</u>	<u>2,203,028</u>
Cash and cash equivalents at end of year	<u>\$ 1,741,938</u>	<u>\$ 1,677,626</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 131,002</u>	<u>\$ 54,397</u>

The accompanying notes are an integral part of these statements.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Greater Baton Rouge Food Bank (the Food Bank or the Organization) is a not-for-profit organization that gathers, stores, and redistributes food to charitable organizations and churches that serve the needy. Food sources include donations from individuals, corporations, and organizations; purchased food; and the USDA Commodities program.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates have been applied in the determination of donated food values and depreciation in preparation of the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the useful life of the assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over the assets' useful lives, which range from 3 to 39 years.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions on the Statements of Activities.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization had an unrelated business taxable income of approximately \$34,000 for the year ended December 31, 2010 related to rental income. The Organization will file a 990T in relation to this business income, however, no income tax is expected to be paid due to the related expenses that are deductible from the income. Accordingly, no provision for income taxes on related income has been included in the financial statements.

In Management's judgment, the Food Bank does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitation for the examination of the Food Bank's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after December 31, 2007.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Inventory - Donated and Purchased

Food inventory, predominately donated, 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 for the years ended December 31, 2010 and 2009, was \$1.60 per pound and \$1.58 per pound, respectively. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically during the year. MRE's are valued using available market prices (fair value). The average fair value at both December 31, 2010 and 2009 was \$65 per case. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

Purchased food inventory is recorded at cost.

Food Inventory - Commodities

Commodities inventory is reported at fair value as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

Investments

Investments are carried at fair value. The change in fair value is recognized as a component of investment income. Accrued interest on investments is recognized as a component of accounts receivable.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

Included in restricted cash is \$98,020 related to funds received to purchase a piece of equipment with the corresponding balance recorded in notes payable, and \$15,650 held for the benefit of others with the corresponding balance recorded in accounts payable. These funds had not been spent at December 31, 2010. The remainder of restricted cash is represents funds received for temporarily restricted net assets.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Accounts Receivable

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist primarily of amounts due related to the Cluster Transportation and various grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful.

Donated Services

A significant portion of the Food Bank's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Donated Materials

Donated materials are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. Various materials were donated to the Food Bank to help aid in their mission. These materials were valued at approximately \$58,000 and \$106,000 for the years ended December 31, 2010 and 2009, respectively. The Food Bank also received a building that was partially donated during 2009 worth \$2.2 million. See Note 5.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentation.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at December 31:

	<u>2010</u>	<u>2009</u>
Bucks for Trucks Program	\$ 7,481	\$ 7,481
Back Pack Program	41,752	25,000
Capital Campaign	3,843,532	1,802,932
United Way Promise to Give	125,000	100,000
Kresge Truck Operations Grant	64,801	-
Adopt a Senior	<u>15,000</u>	<u>-</u>
	<u>\$ 4,097,566</u>	<u>\$ 1,935,413</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors of the various programs. Capital Campaign funds of \$778,848; Bucks for Trucks of \$48,000; Back Pack Program of \$15,747; United Way of \$100,000 were the primary funds released from restrictions during 2010. During 2009 Capital Campaign funds of \$722,378; Bucks for Trucks of \$86,267; Food purchases \$70,621 and United Way of \$77,961 were the primary funds released from restrictions.

3. PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purposes at December 31:

	<u>2010</u>	<u>2009</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 535,287</u>	<u>\$ 489,934</u>

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2010 and 2009. The objective of the program is to provide U.S. Department of Agriculture (USDA) donated commodities to low-income households through eligible organizations for home consumption. Commodities received are recorded in the accompanying financial statements as unrestricted revenue at their estimated cost.

Activity of commodities is summarized as follows:

	<u>2010</u>	<u>2009</u>
Commodity inventory at beginning of year	\$ 209,030	\$ 111,463
Food commodities received	2,216,763	2,162,182
Distributed, discarded, and adjustment	<u>(2,337,814)</u>	<u>(2,064,615)</u>
Commodity inventory at end of year	<u>\$ 87,979</u>	<u>\$ 209,030</u>

5. NOTE PAYABLE

On July 1, 2009, the Food Bank paid \$500,000 and signed a promissory note for \$2,750,000 in a credit sale/donation transaction to acquire a building with the plans to relocate their headquarters. The remaining interest in the building was donated to the Food Bank by the owners. The total value of the land and building is approximately \$5,450,000. The interest rate at December 31, 2010 and 2009 was 4.75%. The Food Bank began making payments on this debt on July 1, 2010.

On December 9, 2010, the Food Bank signed a promissory note for \$98,020 with Feeding America to acquire a refrigerated truck. The interest rate is 0% for the first year of the note, increasing to 2%, 3% and 4% at December 31, 2012, 2013 and 2014, respectively. The Food Bank will begin making payments on this debt on December 31, 2011.

On April 22, 2010 the Food Bank purchased a forklift for \$23,700 and financed it through Toyota Financial Services. The interest rate is 6.10%. The Food Bank began making payments in 2010.

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NOTE PAYABLE (continued)

A summary of long-term debt as of December 31 is as follows:

	<u>2010</u>	<u>2009</u>
Fraenkel Company, Inc., 3 years at Wall Street Journal Prime plus 1.5%, requiring a \$500,000 initial payment, yearly payments of \$500,000, and a balloon payment of \$1,750,000; unsecured.	\$ 2,250,000	\$ 2,750,000
Feeding America, an Arizona nonprofit corp., 3 years at 0% For the first year of the note, increasing to 2%, 3% and 4% At December 31, 2012, 2013 and 2014, Requiring yearly payments of \$24,505 plus interest; secured by vehicle.	98,020	-
Toyota Financial Services., 3 years at 6.10% Requiring yearly payments of \$722.07; secured by forklift.	<u>18,433</u>	<u>-</u>
Subtotal	<u>2,366,453</u>	<u>2,750,000</u>
Less: current portion	<u>(532,405)</u>	<u>(500,000)</u>
Long term debt- net of maturities	<u>\$ 1,834,048</u>	<u>\$ 2,250,000</u>

Total scheduled debt payments during the years ending December 31st are as follows:

<u>Year Ending</u>	<u>Principal</u>
2011	\$ 532,405
2012	1,782,405
2013	27,138
2014	<u>24,505</u>
	<u>\$ 2,366,453</u>

THE GREATER BATON ROUGE FOOD BANK
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. CLUSTER TRANSPORTATION

The Food Bank is the cluster head for various food banks. Other Food Banks in the cluster for 2010 and 2009 were the Food Bank of Central Louisiana and the Food Banks of Northeast and Northwest Louisiana. As the head of the cluster, the Food Bank coordinates and pays for the cluster's transportation costs and is then reimbursed monthly by the other food banks. Cluster transportation revenue is recorded in the accompanying financial statements as unrestricted revenue. Amounts due from the agencies are recognized as a component of accounts receivable.

7. VEHICLE LEASES

The Food Bank began leasing delivery trucks for food distribution in December of 2006. An additional lease was entered into in May of 2007. The terms of the lease require annual rental payments of approximately \$62,000 for the next two years, \$21,912 in 2013, and a final payment of \$5,765 in 2014. Rental expense for the leases was \$62,920 for the years ended December 31, 2010 and 2009.

8. RETIREMENT PLAN

The Food Bank has a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all full time employees who have completed at least three months of service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, up to 10% of their pay. The Food Bank has the option to match up to 100% in any one year. The Food Bank contributed \$12,390 and \$15,205 to this Plan during the years ended December 31, 2010 and 2009, respectively.

9. INVESTMENT INCOME

The Food Bank has cash in money market accounts, certificates of deposit and mutual funds held by BRAF that pay interest.

Investment income on investments was comprised of the following:

	<u>2010</u>	<u>2009</u>
Net unrealized gains (losses) on endowment fund	\$ 59,837	\$ 60,775
Dividend and interest	<u>8,251</u>	<u>10,505</u>
	<u>\$ 68,088</u>	<u>\$ 71,280</u>

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10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

11. COMMITMENTS AND CONTINGENCIES

The Food Bank is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Food Bank's results of operations.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosure topic of FASB ASC, requires disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments from its disclosure requirements. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Food Bank.

In accordance with this guidance, the Food Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques 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 at December 31, 2010 and 2009.

Pooled funds and Real Estate Investment Trust: Valued at the net asset value (NAV) of units held by the Food Bank at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Food Bank's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010 and 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2010	\$ _____ -	\$ <u>750,328</u>	\$ _____ -
Pooled Investments at December 31, 2009	\$ _____ -	\$ <u>644,490</u>	\$ _____ -

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13. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2010 are as follows:

Receivable in less than one year	\$ 886,317
Receivable in one to five years	<u>1,872,005</u>
Total unconditional promises to give	2,758,322
Less: Discounts to net present value	<u>(118,708)</u>
Net unconditional promises to give	<u>\$ 2,639,614</u>

The discount rate used on the valuation of long-term promises to give was 4.30% and 4.33% for the years ended December 31, 2010 and 2009, respectively, the rate of return of the 30 year U.S. Treasury Bill.

Conditional Promise to Give

The Food Bank has received a conditional promise to give from the Kresge Foundation relating to the Capital Campaign. The conditional promise to give is a challenge grant of \$1,100,000. \$3,581,976 must be raised by the Food Bank by July 31, 2011 in order to receive the conditional promise to give of \$1,100,000. As of the year ended December 31, 2010, the Organization has not received this conditional pledge. This conditional promise to give will not be reflected in the accompanying financial statements until the condition has been met.

14. ENDOWMENT NET ASSETS

The primary objective of the Food Bank's investment and spending policies for its endowed assets is for the investment of donor contributions made in memory of individuals. These donations are used to meet the mission statement of the Food Bank. Its endowment includes donor- restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Food Bank has interpreted the Louisiana State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This Act was effective July 1, 2010. Upon implementation, the Food Bank classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

As of December 31, 2010 and 2009, all interest and dividend income and unrealized gains were classified as unrestricted.

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14. ENDOWMENT NET ASSETS (continued)

The net asset composition by type of fund was as follows as of December 31, 2010 and 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2010	\$ 215,116	\$ -	\$ 535,212	\$ 750,328
Donor-Restricted Endowment as of December 31, 2009	\$ 154,556	\$ -	\$ 489,934	\$ 644,490

Changes in endowment net assets were as follows for the years ended December 31, 2010 and 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2009	\$ 154,556	\$ -	\$ 489,934	\$ 644,490
Investment Return:				
Investment income	648	-	-	648
Net appreciation (depreciation)	59,837	-	-	59,837
Contributions	<u>-</u>	<u>-</u>	<u>45,353</u>	<u>45,353</u>
Endowment net assets, December 31, 2010	<u>\$ 215,041</u>	<u>\$ -</u>	<u>\$ 535,287</u>	<u>\$ 750,328</u>

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14. ENDOWMENT NET ASSETS (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ 89,216	\$ -	\$ 451,827	\$ 541,043
Investment Return:				
Investment income	4,565	-	-	4,565
Net appreciation (depreciation)	60,775	-	-	60,775
Contributions	<u>-</u>	<u>-</u>	<u>38,107</u>	<u>38,107</u>
Endowment net assets, December 31, 2009	<u>\$ 154,556</u>	<u>\$ -</u>	<u>\$ 489,934</u>	<u>\$ 644,490</u>

Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Interest, dividends, capital gains or other earnings of the Fund are to be utilized at the discretion of the Board of Directors, until the implementation of UPMIFA, and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors. The corpus of the assets of this fund is considered to be permanently restricted.

Investments of the Endowment Fund consist solely of amounts invested in the Baton Rouge Area Foundation Investment Pool (BRAFI). To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The carrying amount of the investments of \$750,328 and \$644,490 as of December 31, 2010 and 2009, respectively, are recorded at their fair values. The investments are in pooled funds primarily composed of mutual funds held at the Baton Rouge Area Foundation.

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15. CORRECTION OF AN ERROR

For the year ended December 31, 2009, an error relating to the assignment of \$1.58 per pound to certain MRE inventory items compared to the \$65 fair value assigned to MRE inventory resulted in the understatement of inventory, donated food revenue and net assets. The prior year financial statements have been restated to correct this error by increasing the inventory balance from \$1,756,215 to \$1,838,664 and the related donations of food from \$12,399,759 to \$12,482,208 as of December 31, 2009. Net assets at December 31, 2009 have been restated as follows:

Unrestricted net assets, as previously reported	\$ 6,609,636
Change in value of certain MRE inventory	<u>82,449</u>
Unrestricted net assets, as restated	<u>\$ 6,692,085</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2011, and determined that there were no events that would require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial