
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2011



A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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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, 2011 and 2010, 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, 2011 and 2010, 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 11, 2012, 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 11, 2012

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,044,709	\$ 725,473
Restricted cash	2,246,848	1,016,465
Certificates of deposits	214,601	214,601
Accounts receivable, net of allowances for doubtful accounts of \$0 in 2011 and 2010	46,571	55,023
Unconditional promises to give	1,007,982	848,149
Promise to give - United Way	130,000	125,000
Food inventory - donated and purchased	2,219,693	1,846,737
Food inventory - commodities	155,401	87,979
Total current assets	7,065,805	4,919,427
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	6,685,574	6,685,574
Construction in process	124,214	16,391
Vehicles	335,355	233,145
Furniture, fixtures, and equipment	346,566	346,566
	7,991,709	7,781,676
Less: Accumulated depreciation	(1,772,252)	(1,490,004)
	6,219,457	6,291,672
<u>OTHER ASSETS</u>		
Investments - restricted (footnote 14)	762,661	750,328
Long-term portion of unconditional promises to give	1,326,474	1,791,465
Total other assets	2,089,135	2,541,793
Total assets	\$ 15,374,397	\$ 13,752,892

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 192,156	\$ 55,789
Accrued expenses and other liabilities	32,551	35,050
Note payable - current portion	1,782,405	532,405
Total current liabilities	<u>2,007,112</u>	<u>623,244</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	52,301	1,834,048
Total long-term liabilities	<u>52,301</u>	<u>1,834,048</u>
Total liabilities	<u>2,059,413</u>	<u>2,457,292</u>
<u>NET ASSETS</u>		
Unrestricted	7,685,980	6,662,747
Temporarily restricted	5,021,382	4,097,566
Permanently restricted	607,622	535,287
Total net assets	<u>13,314,984</u>	<u>11,295,600</u>
Total liabilities and net assets	<u>\$ 15,374,397</u>	<u>\$ 13,752,892</u>

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 AND 2010

2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 1,836,465	\$ 1,903,762	\$ 72,335	\$ 3,812,562
United Way	130,000	130,000	-	260,000
Special events	67,657	-	-	67,657
FEMA	36,727	-	-	36,727
Donated services and gifts in kind	62,135	-	-	62,135
Grant revenues	34,321	138,477	-	172,798
Local government support	35,800	-	-	35,800
SNAP Outreach	27,915	-	-	27,915
USDA commodities reimbursements	170,336	-	-	170,336
Investment income	21,297	-	-	21,297
Food donations received	12,374,627	-	-	12,374,627
Commodities received	1,309,437	-	-	1,309,437
Cluster transportation	25,846	-	-	25,846
Central Regions Food Bank	37,169	-	-	37,169
Other	8,974	-	-	8,974
Total revenues	16,178,706	2,172,239	72,335	18,423,280
Net assets released from restrictions				
Satisfaction of purpose of restrictions	1,248,423	(1,248,423)	-	-
Total revenues	17,427,129	923,816	72,335	18,423,280
<u>EXPENSES</u>				
Program	15,611,375	-	-	15,611,375
Administration	209,453	-	-	209,453
Fundraising	583,068	-	-	583,068
Total expenses	16,403,896	-	-	16,403,896
<u>CHANGE IN NET ASSETS</u>	1,023,233	923,816	72,335	2,019,384
Net assets - beginning of period	6,662,747	4,097,566	535,287	11,295,600
Net assets - end of period	\$ 7,685,980	\$ 5,021,382	\$ 607,622	\$ 13,314,984

The accompanying notes are an integral part of these statements.

2010

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,162,734	\$ 2,855,134	\$ 45,353	\$ 4,063,221
125,000	125,000	-	250,000
144,855	-	-	144,855
42,200	-	-	42,200
57,659	-	-	57,659
55,919	170,301	-	226,220
33,900	-	-	33,900
-	-	-	-
341,168	-	-	341,168
68,088	-	-	68,088
13,153,120	-	-	13,153,120
2,216,763	-	-	2,216,763
33,477	-	-	33,477
13,500	-	-	13,500
58,737	-	-	58,737
<u>17,507,120</u>	<u>3,150,435</u>	<u>45,353</u>	<u>20,702,908</u>
988,282	(988,282)	-	-
<u>18,495,402</u>	<u>2,162,153</u>	<u>45,353</u>	<u>20,702,908</u>
17,730,891	-	-	17,730,891
197,285	-	-	197,285
596,564	-	-	596,564
<u>18,524,740</u>	<u>-</u>	<u>-</u>	<u>18,524,740</u>
<u>(29,338)</u>	<u>2,162,153</u>	<u>45,353</u>	<u>2,178,168</u>
6,692,085	1,935,413	489,934	9,117,432
<u>\$ 6,662,747</u>	<u>\$ 4,097,566</u>	<u>\$ 535,287</u>	<u>\$ 11,295,600</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 30,455	\$ -	\$ 30,455
Advertising	18,508	-	1,181	19,689
Bad debt expense	1,569	-	-	1,569
Capital Campaign	-	-	128,784	128,784
Central regions food bank	-	-	-	-
Cluster transportation	27,446	-	-	27,446
Cold storage	2,990	-	-	2,990
Conferences	55,603	1,158	1,158	57,919
Depreciation	282,248	-	-	282,248
Direct mail expense	-	-	234,582	234,582
Distribution of commodities	1,242,015	-	-	1,242,015
Distribution of donated food	12,193,135	-	-	12,193,135
Dues	10,439	1,228	3,684	15,351
Food purchases with FEMA revenue	36,727	-	-	36,727
Fuel and mileage	86,419	1,839	3,677	91,935
In-kind expense	62,135	-	-	62,135
Insurance	189,705	-	-	189,705
Interest expense	100,582	-	-	100,582
Investment fees and expenses	7,198	-	-	7,198
Major property and equipment	7,067	-	-	7,067
Miscellaneous expense	38,357	392	392	39,141
Payroll taxes	58,098	11,456	12,274	81,828
Postage	16,030	2,004	2,004	20,038
Printing and publication	44,880	5,610	5,610	56,100
Repairs and maintenance	52,344	-	-	52,344
Retirement	12,405	2,446	2,621	17,472
Salaries	734,407	144,813	155,157	1,034,377
Service contracts	14,759	-	-	14,759
Special event expense	-	-	24,334	24,334
Supplies	20,300	2,538	2,538	25,376
Telephone	20,233	2,529	2,529	25,291
Transportation	77,911	-	-	77,911
Training	11,053	2,063	1,621	14,737
Utilities	52,824	539	539	53,902
Vehicle leases	89,070	-	-	89,070
Volunteer program	7,395	-	-	7,395
Waste disposal	37,523	383	383	38,289
	\$ 15,611,375	\$ 209,453	\$ 583,068	\$ 16,403,896

The accompanying notes are an integral part of these statements.

2010

Program	Administration	Fundraising	Total
\$ -	\$ 10,995	\$ -	\$ 10,995
27,216	-	1,737	28,953
2,921	-	-	2,921
-	-	152,728	152,728
-	13,500	-	13,500
12,749	-	-	12,749
4,940	-	-	4,940
18,385	-	-	18,385
293,852	-	-	293,852
-	-	225,990	225,990
2,337,814	-	-	2,337,814
12,981,920	-	-	12,981,920
21,709	-	1,386	23,095
42,200	-	-	42,200
66,843	2,133	2,133	71,109
57,659	-	-	57,659
195,740	-	-	195,740
-	125,395	-	125,395
5,607	-	-	5,607
-	-	-	-
62,264	-	2,594	64,858
69,124	2,469	10,698	82,291
10,226	-	20,761	30,987
14,749	-	21,224	35,973
71,350	-	-	71,350
10,407	372	1,611	12,390
843,111	30,111	130,482	1,003,704
-	-	-	-
-	-	20,029	20,029
24,207	6,052	-	30,259
11,605	2,901	4,836	19,342
108,347	-	-	108,347
7,292	-	-	7,292
56,182	567	-	56,749
89,558	-	-	89,558
6,748	-	355	7,103
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 GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,019,384	\$ 2,178,168
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(72,335)	(45,353)
Bad debt expense	1,569	2,921
Depreciation	282,248	293,852
Unrealized appreciation of investments	(1,043)	(59,837)
Donated inventory and other assets	(372,956)	(8,073)
Net change in:		
Accounts receivable	6,883	74,214
Unconditional promises to give	305,158	(2,023,943)
Promise to give - United Way	(5,000)	(25,000)
Commodities inventory	(67,422)	121,051
Accounts payable	136,367	(12,362)
Accrued expenses and other liabilities	(2,499)	8,512
Net cash provided by operating activities	<u>2,230,354</u>	<u>504,150</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(210,033)	(53,938)
Purchase of investments	(11,290)	(47,706)
Net cash used in investing activities	<u>(221,323)</u>	<u>(101,644)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	72,335	45,353
Principal payments on notes payable	(531,747)	(505,267)
Proceeds from notes payable	-	121,720
Net cash used in financing activities	<u>(459,412)</u>	<u>(338,194)</u>
 Net change in cash and cash equivalents	1,549,619	64,312
 Cash and cash equivalents at beginning of year	<u>1,741,938</u>	<u>1,677,626</u>
 Cash and cash equivalents at end of year	<u>\$ 3,291,557</u>	<u>\$ 1,741,938</u>
 <u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 101,957</u>	<u>\$ 131,002</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 \$30,000 for the year ended December 31, 2011 related to rental income. The Organization will file a Form 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, 2008.

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, 2011 and 2010, was \$1.66 per pound and \$1.60 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, 2011 and 2010 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.

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 other grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance is necessary at December 31, 2011 or 2010.

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 \$62,000 and \$58,000 for the years ended December 31, 2011 and 2010, respectively.

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>2011</u>	<u>2010</u>
Bucks for Trucks Program	\$ -	\$ 7,481
Back Pack Program	42,733	41,752
Capital Campaign	4,841,627	3,843,532
United Way Promise to Give	130,000	125,000
Kresge Truck Operations Grant	-	64,801
Adopt a Senior	<u>7,022</u>	<u>15,000</u>
	<u>\$ 5,021,382</u>	<u>\$ 4,097,566</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 \$837,189; Bucks for Trucks of \$68,481; Back Pack Program of \$52,676; United Way of \$125,000 were the primary funds released from restrictions during 2011. 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.

3. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 607,622</u>	<u>\$ 535,287</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, 2011 and 2010. 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 fair value.

Activity of commodities is summarized as follows:

	<u>2011</u>	<u>2010</u>
Commodity inventory at beginning of year	\$ 87,979	\$ 209,030
Food commodities received	1,309,437	2,216,763
Distributed, discarded, and adjustment	<u>(1,242,015)</u>	<u>(2,337,814)</u>
Commodity inventory at end of year	<u>\$ 155,401</u>	<u>\$ 87,979</u>

5. NOTES 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 was approximately \$5,450,000. The interest rate at December 31, 2011 and 2010 was 5% and 4.75%, respectively. 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 began 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. NOTES PAYABLE (continued)

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

	2011	2010
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 due July 2012; unsecured.	\$ 1,750,000	\$ 2,250,000
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 due December 2014.	73,515	98,020
Toyota Financial Services, 3 years at 6.10% Requiring yearly payments of \$722.07 due May 2013; secured by forklift.	11,191	18,433
Subtotal	1,834,706	2,366,453
Less: current portion	(1,782,405)	(532,405)
Long term debt- net of maturities	\$ 52,301	\$ 1,834,048

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

Year Ending	Principal
2012	\$ 1,782,405
2013	27,796
2014	24,505
	\$ 1,834,706

THE GREATER BATON ROUGE FOOD BANK
(A NOT-FOR-PROFIT ORGANIZATION)
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 2011 and 2010 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 year, \$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, 2011 and 2010.

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 \$17,472 and \$12,390 to this Plan during the years ended December 31, 2011 and 2010, 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>2011</u>	<u>2010</u>
Net unrealized gains on endowment fund	\$ 1,043	\$ 59,837
Dividend and interest	<u>20,254</u>	<u>8,251</u>
	<u>\$ 21,297</u>	<u>\$ 68,088</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

Financial Accounting Standards Board Accounting Standards Codification topic on Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan 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, 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 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, 2011 and 2010.

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 that are measured at fair value on a recurring basis at December 31, 2011 and 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2011	\$ _____ -	\$ <u>762,661</u>	\$ _____ -
Pooled Investments at December 31, 2010	\$ _____ -	\$ <u>750,328</u>	\$ _____ -

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13. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2011 are as follows:

Receivable in less than one year	\$ 1,045,917
Receivable in one to five years	<u>1,382,270</u>
Total unconditional promises to give	2,428,187
Less: Discount to net present value	(<u>93,731</u>)
Net unconditional promises to give	<u><u>2,334,456</u></u>

The discount rate used on the valuation of long-term promises to give was 3.02% and 4.30% for the years ended December 31, 2011 and 2010, respectively, the rate of return of the 30 year U.S. Treasury Bill.

The scheduled payments on promises to give during the five years ending December 31, 2016, and thereafter are as follows:

2012	\$ 1,007,982
2013	678,665
2014	477,836
2015	169,003
2016	<u>970</u>
	<u><u>\$ 2,334,456</u></u>

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.

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14. ENDOWMENT NET ASSETS (continued)

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, 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 \$762,661 and \$750,328 as of December 31, 2011 and 2010, 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.

As of December 31, 2011 and 2010, all interest and dividend income and unrealized gains were classified as unrestricted.

The net asset composition by type of fund was as follows as of December 31, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2011	\$ <u>155,039</u>	\$ <u>-</u>	\$ <u>607,622</u>	\$ <u>762,661</u>
Donor-Restricted Endowment as of 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)

Changes in endowment funds by net asset category were as follows for the years ended December 31, 2011 and 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2010	\$ 215,041	\$ -	\$ 535,287	\$ 750,328
Investment Return:				
Investment income	11,290	-	-	11,290
Net appreciation (depreciation)	<u>1,043</u>	<u>-</u>	<u>-</u>	<u>1,043</u>
Endowment net assets, December 31, 2011	<u>\$ 227,374</u>	<u>\$ -</u>	<u>\$ 535,287</u>	<u>\$ 762,661</u>
	<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>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 11, 2012, and determined that the following items require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements. The Food Bank is currently in negotiations with the City of Baton Rouge and Office of Community Development to receive a \$500,000 forgivable loan and a \$500,000 repayable note.