
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2013



A Professional Accounting Corporation

www.pncpa.com

THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1 - 2
<u>Financial Statements</u>	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 23

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of The Greater Baton Rouge Food Bank (a not-for-profit Organization) which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditors' 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 audits 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 auditors' 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 Organization'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 Organization'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 The Greater Baton Rouge Food Bank as of December 31, 2013 and 2012, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 12, 2014, on our consideration of the Organization's internal control over financial reporting and 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 or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Nettewill

Baton Rouge, Louisiana

June 12, 2014

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 214,234	\$ 1,239,512
Restricted cash	2,846,804	1,778,727
Accounts receivable	100,600	98,292
Prepaid insurance	20,220	11,771
Unconditional promises to give	753,995	800,229
Promise to give - United Way	152,500	137,500
Food inventory - donated and purchased	1,224,636	1,603,376
Food inventory - commodities	52,739	162,811
Total current assets	5,365,728	5,832,218
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	6,696,469	6,696,469
Construction in process	6,044,686	309,409
Vehicles	194,658	335,355
Furniture, fixtures, and equipment	163,421	346,925
	13,599,234	8,188,158
Less: Accumulated depreciation	(1,953,816)	(2,036,907)
	11,645,418	6,151,251
<u>OTHER ASSETS</u>		
Investments - restricted (footnote 14)	1,067,239	911,771
Long-term portion of unconditional promises to give	210,535	727,014
Total other assets	1,277,774	1,638,785
Total assets	\$ 18,288,920	\$ 13,622,254

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 751,123	\$ 200,503
Accrued expenses and other liabilities	38,381	20,709
Accrued interest payable	15,566	-
Note payable - current portion	<u>2,755,206</u>	<u>28,155</u>
Total current liabilities	<u>3,560,276</u>	<u>249,367</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	<u>973,553</u>	<u>24,505</u>
Total long-term liabilities	<u>973,553</u>	<u>24,505</u>
Total liabilities	<u>4,533,829</u>	<u>273,872</u>
<u>NET ASSETS</u>		
Unrestricted	9,920,916	9,939,328
Temporarily restricted	3,074,013	2,730,108
Permanently restricted	760,162	678,946
Total net assets	<u>13,755,091</u>	<u>13,348,382</u>
Total liabilities and net assets	<u>\$ 18,288,920</u>	<u>\$ 13,622,254</u>

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 2,095,326	\$ 926,657	\$ 81,216	\$ 3,103,199
United Way	152,500	152,500	-	305,000
Special events	61,220	-	-	61,220
FEMA	22	-	-	22
Donated services and gifts in kind	126,503	-	-	126,503
Hurricane relief grants	-	-	-	-
Grant revenues	55,106	403,725	-	458,831
Local government support	31,300	-	-	31,300
SNAP Outreach	27,352	-	-	27,352
USDA commodities reimbursements	163,056	-	-	163,056
Investment income	97,397	-	-	97,397
Food donations received	14,723,187	-	-	14,723,187
Commodities received	1,783,665	-	-	1,783,665
Cluster transportation	-	-	-	-
Other	86,890	-	-	86,890
Total revenues	19,403,524	1,482,882	81,216	20,967,622
Net assets released from restrictions				
Satisfaction of purpose of restrictions	1,138,977	(1,138,977)	-	-
Total revenues	20,542,501	343,905	81,216	20,967,622
<u>EXPENSES</u>				
Program	19,575,966	-	-	19,575,966
Administration	211,345	-	-	211,345
Fundraising	773,602	-	-	773,602
Total expenses	20,560,913	-	-	20,560,913
<u>CHANGE IN NET ASSETS</u>	(18,412)	343,905	81,216	406,709
Net assets - beginning of period	9,939,328	2,730,108	678,946	13,348,382
Net assets - end of period	\$ 9,920,916	\$ 3,074,013	\$ 760,162	\$ 13,755,091

The accompanying notes are an integral part of these statements.

2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,929,671	\$ 526,012	\$ 71,324	\$ 2,527,007
130,000	137,500	-	267,500
90,069	-	-	90,069
39,773	-	-	39,773
29,018	-	-	29,018
100,000	155,000	-	255,000
87,335	193,550	-	280,885
33,300	-	-	33,300
26,556	-	-	26,556
255,254	-	-	255,254
86,812	-	-	86,812
15,147,272	-	-	15,147,272
1,128,379	-	-	1,128,379
13,380	-	-	13,380
76,685	-	-	76,685
<u>19,173,504</u>	<u>1,012,062</u>	<u>71,324</u>	<u>20,256,890</u>
3,303,336	(3,303,336)	-	-
<u>22,476,840</u>	<u>(2,291,274)</u>	<u>71,324</u>	<u>20,256,890</u>
19,379,237	-	-	19,379,237
216,298	-	-	216,298
627,957	-	-	627,957
<u>20,223,492</u>	<u>-</u>	<u>-</u>	<u>20,223,492</u>
2,253,348	(2,291,274)	71,324	33,398
7,685,980	5,021,382	607,622	13,314,984
<u>\$ 9,939,328</u>	<u>\$ 2,730,108</u>	<u>\$ 678,946</u>	<u>\$ 13,348,382</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 50,550	\$ 16,850	\$ 67,400
Advertising	17,061	-	1,089	18,150
Write down of pledges	306	-	-	306
Capital Campaign	-	-	155,904	155,904
Cluster transportation	-	-	-	-
Cold storage	6,580	-	-	6,580
Conferences	17,377	362	362	18,101
Contract labor	54,090	6,761	6,761	67,612
Depreciation	249,471	-	-	249,471
Direct mail expense	-	-	357,164	357,164
Distribution of commodities	1,893,737	-	-	1,893,737
Distribution of donated food	15,290,955	-	-	15,290,955
Dues	17,109	2,013	6,038	25,160
Food purchases with FEMA revenue	22	-	-	22
Fuel and mileage	105,016	3,352	3,352	111,720
In-kind expense	126,503	-	-	126,503
Insurance	268,429	-	-	268,429
Interest expense	20,999	-	-	20,999
Investment fees and expenses	29,717	-	-	29,717
Loss on disposal of assets	21,367	-	-	21,367
Equipment	11,507	-	-	11,507
Miscellaneous expense	54,242	554	554	55,350
Payroll taxes	66,563	9,895	13,493	89,951
Postage	23,172	1,448	4,345	28,965
Printing and publication	23,730	1,483	4,449	29,662
Repairs and maintenance	52,543	-	-	52,543
Retirement	20,454	3,040	4,146	27,640
Salaries	850,736	126,461	172,446	1,149,643
Service contracts	17,629	-	-	17,629
Special event expense	-	-	18,090	18,090
Supplies	25,929	1,621	4,862	32,412
Telephone	17,162	2,145	2,145	21,452
Transportation	59,380	-	-	59,380
Training	2,682	501	393	3,576
Utilities	48,378	494	494	49,366
Vehicle leases	112,729	-	-	112,729
Volunteer program	5,268	-	-	5,268
Waste disposal	65,123	665	665	66,453
	\$ 19,575,966	\$ 211,345	\$ 773,602	\$ 20,560,913

The accompanying notes are an integral part of these statements.

2012

Program	Administration	Fundraising	Total
\$ -	\$ 30,635	\$ -	\$ 30,635
14,057	-	897	14,954
50,000	-	-	50,000
-	-	89,384	89,384
10,265	-	-	10,265
1,771	-	-	1,771
18,644	388	388	19,420
60,149	-	-	60,149
264,655	-	-	264,655
-	-	308,391	308,391
1,120,969	-	-	1,120,969
16,040,181	-	-	16,040,181
12,806	1,507	4,520	18,833
39,773	-	-	39,773
98,234	2,090	4,180	104,504
29,018	-	-	29,018
218,247	-	-	218,247
47,284	-	-	47,284
8,566	-	-	8,566
-	-	-	-
10,160	-	-	10,160
53,708	550	550	54,808
61,064	12,041	12,901	86,006
19,425	2,428	2,428	24,281
19,781	2,473	2,473	24,727
57,009	-	-	57,009
17,309	3,413	3,657	24,379
783,486	154,490	165,525	1,103,501
17,107	-	-	17,107
-	-	26,404	26,404
24,670	3,084	3,084	30,838
17,294	2,162	2,162	21,618
60,065	-	-	60,065
593	111	87	791
40,401	412	412	41,225
104,715	-	-	104,715
7,457	-	-	7,457
50,374	514	514	51,402
<u>\$ 19,379,237</u>	<u>\$ 216,298</u>	<u>\$ 627,957</u>	<u>\$ 20,223,492</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 406,709	\$ 33,398
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(81,216)	(71,324)
Write down of pledges	306	50,000
Depreciation	249,471	264,655
Loss on disposal of equipment	21,367	-
Unrealized appreciation of investments	(77,767)	(67,671)
Donated inventory, net	378,740	616,317
Net change in:		
Accounts receivable	(2,308)	(52,521)
Prepaid insurance	(8,449)	(10,971)
Net present value discount on unconditional promises to give	(24,044)	(32,711)
Promise to give - United Way	(15,000)	(7,500)
Commodities inventory	110,072	(7,410)
Accrued interest payable	15,566	-
Accounts payable	3,972	8,347
Accrued expenses and other liabilities	17,672	(11,842)
Net cash provided by operating activities	995,091	710,767
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(1,506,797)	(196,449)
Redemption of certificates of deposit	-	214,601
Purchase of investments	(77,701)	(81,439)
Net cash used in investing activities	(1,584,498)	(63,287)
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from lines of credit	18,995	-
Unconditional promises to give	586,451	789,924
Permanently restricted contributions	81,216	71,324
Principal payments on notes payable	(54,456)	(1,782,046)
Net cash provided by (used in) financing activities	632,206	(920,798)
 Net change in cash and cash equivalents	42,799	(273,318)
 Cash and cash equivalents at beginning of year	3,018,239	3,291,557
 Cash and cash equivalents at end of year	\$ 3,061,038	\$ 3,018,239
 <u>Supplemental disclosure:</u>		
Schedule of Noncash Investing and Financing Transactions		
Construction in process	3,711,560	-
Notes payable	(3,711,560)	-
	-	-
 Interest paid	\$ 5,433	\$ 53,083

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 received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor 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 receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

Management has evaluated Promises to Give and does not believe an allowance is necessary at December 31, 2013 or 2012.

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 \$16,000 for the year ended December 31, 2013 related to rental income. The Organization will file Form 990T in relation to this business income, however, no income tax was paid due to the related expenses that were deductible from the income. The Organization had no unrelated business taxable income for the year ended December 31, 2012. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2013 or 2012.

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, 2010.

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, 2013 and 2012, was \$1.69 and \$1.66 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 December 31, 2013 and 2012 was \$54. 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 CDBG (see Note 5) 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, 2013 or 2012.

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 \$126,000 and \$29,000 for the years ended December 31, 2013 and 2012, respectively. The amount at December 31, 2013 and 2012 consisted mainly of donated advertisements of \$73,400 and \$11,000, 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>2013</u>	<u>2012</u>
Bucks for Trucks Program	\$ 50,109	\$ 11,365
Back Pack Program	109,036	48,773
Capital Campaign	2,652,499	2,532,226
United Way Promise to Give – general and administration	135,000	137,500
United Way Promise to Give - backpack	17,500	-
Summer Job Program	-	244
Estate of Elizabeth Ferro - Garden	20,000	-
Mosaic Grant - Truck Purchase	76,917	-
Food Purchases	7,352	-
Adopt a Senior	5,600	-
	<u>\$ 3,074,013</u>	<u>\$ 2,730,108</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 \$739,616; Bucks for Trucks Program of \$46,256; Back Pack Program of \$101,737; Food Purchases \$57,195; Mosaic Grant -Truck Purchase \$48,083; United Way of \$137,500 were the primary funds released from restrictions during 2013. Capital Campaign funds of \$2,785,432; Bucks for Trucks of \$59,465; Back Pack Program of \$90,010; United Way of \$130,000 were the primary funds released from restrictions during 2012.

3. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2013</u>	<u>2012</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 760,162</u>	<u>\$ 678,946</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, 2013 and 2012. 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>2013</u>	<u>2012</u>
Commodity inventory at beginning of year	\$ 162,811	\$ 155,401
Food commodities received	1,783,665	1,128,379
Distributed, discarded, and adjustment	<u>(1,893,737)</u>	<u>(1,120,969)</u>
Commodity inventory at end of year	<u>\$ 52,739</u>	<u>\$ 162,811</u>

5. NOTES PAYABLE

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. The note was paid in full during the year ended December 31, 2013.

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 note was refinanced as lease-to-own for \$18,995 in September 2013. The interest rate is 4.3%. The note matures in August 2016.

The Organization received \$500,000 as part of a loan agreement with the Office of Community Development during the year ended December 31, 2013 which was used for the rehabilitation of the new office and warehouse. This is a principal only loan with a term of 5 years fixed amortization. The loan will be forgiven upon annual verification of compliance as to the occupancy and the use of the property to benefit low to moderate income individuals. An amount equal to one fifth of the total amount of this loan will be forgiven annually. The 5 years of amortization begin 90 days after the expiration of the agreement which is December 31, 2013, or March 31, 2014.

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

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The Organization also received an additional \$500,000 repayable loan with the Office of Community Development during the year ended December 31, 2013. This is a principal only loan which is also for the rehabilitation of the new office and warehouse. The loan is due over a 10 year period with the first payment to be due ninety days after the expiration of the agreement which is December 31, 2013, or March 31, 2014.

As part of the grant terms for both grants listed above, the Food Bank has agreed to a restrictive covenant which binds the property and all present and future owners to the restrictions of the CDBG Program in which the property must be retained for no less than 10 years to benefit low to moderate income individuals.

On January 4, 2013, the Food Bank signed a promissory note for two construction loans for \$4,000,000 and \$1,000,000 with Capital One Bank. The construction loan for \$1,000,000 is a bridge loan in the event the Food Bank experiences timing gaps on reimbursement for project costs under the grant with the City of Baton Rouge Office of Community Development. Under the agreement, the \$4,000,000 construction loan can be converted to a term loan in the amount of the lesser of \$4,000,000 or 75% of the appraised value of the project. The notes originally matured on October 4, 2013 but the maturity dates have been extended into 2014 at which point management anticipates that the loans will be converted to term notes. As of the date of this report, the renewal of the lines of credit has not been finalized. The notes bear interest at the rate of LIBOR plus 3.250%, which was 3.42% as of December 31, 2013, which shall be payable in quarterly installments, commencing on April 4, 2013 and on the same day of the month every three months thereafter. The outstanding balance of the loans was \$2,711,560 as of December 31, 2013. No principal payments have been made in 2013.

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

	<u>2013</u>	<u>2012</u>
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.	\$ -	\$ 49,010
Toyota Financial Services, 3 years at 6.10% from January 2013 through September 2013 and 4.3% from September 2013 through maturity; requiring monthly payments of \$563 plus interest due August 2016; secured by forklift.	17,199	3,650
Construction loans with Capital One bank; bear interest at LIBOR Plus 3.25% interest through maturity in 2014; interest payable In quarterly installments commencing on April 4, 2013 and due on the same day of the month every three months thereafter	2,711,560	-

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

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

Community Development Block Grant (CDBG) repayable loan; 10 years at 0%; secured by the building	\$ 500,000	\$ -
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building		
	<u>500,000</u>	<u>-</u>
Subtotal	3,728,759	52,660
Less: current portion	<u>(2,755,206)</u>	<u>(28,155)</u>
Long term debt- net of maturities	<u>\$ 973,553</u>	<u>\$ 24,505</u>

The notes are expected to mature as follows:

<u>Year ending</u> <u>December 31st</u>	<u>Amount</u>
2014	\$ 2,755,206
2015	56,424
2016	54,628
2017	50,000
2018	50,000
Thereafter	<u>762,501</u>
	<u>\$ 3,728,759</u>

6. CLUSTER TRANSPORTATION

The Food Bank was the cluster head for various food banks. Other food banks in the cluster for 2012 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 coordinated and paid for the cluster's transportation costs and was 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. Effective in 2013, the Food Bank is no longer providing cluster transportation services for other food banks.

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

NOTES TO FINANCIAL STATEMENTS

7. VEHICLE LEASES

The Food Bank began leasing delivery trucks for food distribution in December of 2006. Three additional leases were entered into in October of 2013. However, the trucks were not put into service until May 2014. The terms of the leases require annual rental payments as follows:

2014	\$	42,061
2015		54,444
2016		54,444
2017		54,444
2018		54,444
Thereafter		<u>118,354</u>
	\$	<u><u>378,191</u></u>

Rental expense for the leases was \$21,912 and \$60,290 for the years ended December 31, 2013 and 2012, respectively.

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 \$27,640 and \$24,379 to this Plan during the years ended December 31, 2013 and 2012, respectively.

9. INVESTMENT INCOME

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

Investment income on investments was comprised of the following:

	<u>2013</u>	<u>2012</u>
Net unrealized gains on endowment fund	\$ 77,767	\$ 67,671
Dividend and interest	<u>19,630</u>	<u>19,141</u>
	<u>\$ 97,397</u>	<u>\$ 86,812</u>

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

NOTES TO FINANCIAL STATEMENTS

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.

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, 2013 and 2012.

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

NOTES TO FINANCIAL STATEMENTS

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2013 and 2012.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2013	\$ _____ -	\$ <u>1,067,239</u>	\$ _____ -
Pooled Investments at December 31, 2012	\$ _____ -	\$ <u>911,771</u>	\$ _____ -

13. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2013 are as follows:

Receivable in less than one year	\$ 632,856
Receivable in one to five years	<u>368,650</u>
Total unconditional promises to give	1,001,506
Less: Discount to net present value	(<u>36,976</u>)
Net unconditional promises to give	<u>\$ 964,530</u>

The discount rate used on the valuation of long-term promises to give was 3.49% and 2.96% for the year ended December 31, 2013 and 2012, respectively, the rate of return of the 30 year U.S. Treasury Bill.

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

NOTES TO FINANCIAL STATEMENTS

13. PROMISES TO GIVE (continued)

The scheduled payments on promises to give are as follows:

2014	\$ 753,995
2015	188,216
2016	12,615
2017	<u>9,704</u>
	<u>\$ 964,530</u>

During the years ended December 31, 2013 and 2012, \$306 and \$50,000, respectively was written off related to reduction in pledges.

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. 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 (BRAAF). 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 \$1,067,239 and \$911,771 as of December 31, 2013 and 2012, 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.

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

NOTES TO FINANCIAL STATEMENTS

14. ENDOWMENT NET ASSETS (continued)

As of December 31, 2013 and 2012, 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, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2013	\$ <u>307,077</u>	\$ <u>-</u>	\$ <u>760,162</u>	\$ <u>1,067,239</u>
Donor-Restricted Endowment as of December 31, 2012	\$ <u>232,825</u>	\$ <u>-</u>	\$ <u>678,946</u>	\$ <u>911,771</u>

Changes in endowment funds by net asset category were as follows for the years ended December 31, 2013 and 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2012	\$ 232,825	\$ -	\$ 678,946	\$ 911,771
Investment Return:				
Investment loss	(3,515)	-	-	(3,515)
Net appreciation	77,767	-	-	77,767
Contributions	<u>-</u>	<u>-</u>	<u>81,216</u>	<u>81,216</u>
Endowment net assets, December 31, 2013	<u>\$ 307,077</u>	<u>\$ -</u>	<u>\$ 760,162</u>	<u>\$ 1,067,239</u>

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

NOTES TO FINANCIAL STATEMENTS

14. ENDOWMENT NET ASSETS (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2011	\$ 155,039	\$ -	\$ 607,622	\$ 762,661
Investment Return:				
Investment income	10,115	-	-	10,115
Net appreciation	67,671	-	-	67,671
Contributions	-	-	71,324	71,324
Endowment net assets, December 31, 2012	<u>\$ 232,825</u>	<u>\$ -</u>	<u>\$ 678,946</u>	<u>\$ 911,771</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 12, 2014, and determined that the following items require additional disclosure.

- The Food Bank moved into their new building at the end of December 2013 and operations began in January 2014. All assets related to the new building were placed into service in January 2014. The Food Bank has plans to try to sell the old building in the upcoming year.
- The Food Bank was approved for a grant from the Governor’s Office of Homeland Security and Emergency Preparedness on January 10, 2014. The total funds available are \$650,000 for the purchase of a generator. The grant requires a 25% non-federal cost share match which the Food Bank will be responsible for.

No events occurring after June 12, 2014 have been evaluated for inclusion in these financial statements.