
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2018



Postlethwaite & Netterville

A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses by nature and class, 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, The Greater Baton Rouge Food Bank adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to Chief Executive Officer included on page 24 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 25, 2019, 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 *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 25, 2019

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 3,478,216	\$ 2,596,154
Restricted cash	575,914	827,635
Total cash	4,054,130	3,423,789
Other receivables	53,440	110,329
Grant receivable - FEMA (footnote 14)	291,770	1,186,965
Prepaid expenses	46,886	42,591
Unconditional promises to give	4,334	4,584
Promise to give - United Way	92,865	113,250
Food inventory - donated and purchased	1,001,028	1,943,873
Food inventory - commodities	440,822	462,104
Other current assets	13,956	-
Total current assets	<u>5,999,231</u>	<u>7,287,485</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	11,507,633	11,378,268
Construction in process	264,875	-
Vehicles	280,181	280,181
Furniture, fixtures, and equipment	1,968,609	1,908,732
Leased equipment	643,801	643,801
	15,165,099	14,710,982
Less: Accumulated depreciation	<u>(3,548,051)</u>	<u>(2,720,391)</u>
Total property and equipment, net	<u>11,617,048</u>	<u>11,990,591</u>
 <u>OTHER ASSETS</u>		
Investments (footnote 12)	1,658,405	1,609,687
Long-term portion of unconditional promises to give	-	-
Total other assets	<u>1,658,405</u>	<u>1,609,687</u>
 Total assets	 <u><u>\$ 19,274,684</u></u>	 <u><u>\$ 20,887,763</u></u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2018	2017
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 404,983	\$ 356,579
Accrued expenses and other liabilities	78,994	85,938
Accrued interest payable	4,086	4,568
Note payable - current portion	259,053	211,621
Lease obligation - current portion	86,880	83,479
Total current liabilities	<u>833,996</u>	<u>742,185</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	1,433,516	1,738,206
Lease obligation - less current portion	420,662	507,539
Total long-term liabilities	<u>1,854,178</u>	<u>2,245,745</u>
Total liabilities	<u>2,688,174</u>	<u>2,987,930</u>
<u>NET ASSETS</u>		
Without donor restriction	14,845,573	15,970,999
With donor restriction	1,740,937	1,928,834
Total net assets	<u>16,586,510</u>	<u>17,899,833</u>
Total liabilities and net assets	<u>\$ 19,274,684</u>	<u>\$ 20,887,763</u>

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 2,872,350	\$ 319,272	\$ 3,191,622
United Way	50,373	185,730	236,103
Special events	69,845	-	69,845
FEMA Grant (footnote 14)	225,000	-	225,000
Emergency Food and Shelter Grant (FEMA)	57,031	-	57,031
Donated services and gifts in kind	80,213	-	80,213
Grant revenues - other	53,062	302,366	355,428
Local government support	23,000	-	23,000
SNAP Outreach	21,925	-	21,925
USDA commodities reimbursements	316,923	-	316,923
Investment income (loss), net	(37,352)	-	(37,352)
Food donations received	10,253,853	-	10,253,853
Purchased food program	64,401	-	64,401
Commodities received	2,421,441	-	2,421,441
Forgiveness of debt	100,000	-	100,000
Other	55,653	-	55,653
Total revenues and other support	16,627,718	807,368	17,435,086
Net assets released from restrictions			
Satisfaction of restrictions	995,265	(995,265)	-
Total revenues	17,622,983	(187,897)	17,435,086
<u>EXPENSES</u>			
Program - food distribution	17,117,463	-	17,117,463
Supporting services			
Management and general	569,974	-	569,974
Fundraising	1,060,972	-	1,060,972
Total supporting services	1,630,946	-	1,630,946
Total expenses	18,748,409	-	18,748,409
<u>CHANGE IN NET ASSETS</u>	(1,125,426)	(187,897)	(1,313,323)
Net assets - beginning of period	15,970,999	1,928,834	17,899,833
Net assets - end of period	\$ 14,845,573	\$ 1,740,937	\$ 16,586,510

The accompanying notes are an integral part of these statements.

2017

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,839,274	\$ 134,045	\$ 2,973,319
-	271,053	271,053
91,266	-	91,266
1,510,267	-	1,510,267
127,197	-	127,197
93,956	-	93,956
211,250	322,608	533,858
23,000	-	23,000
24,516	-	24,516
305,579	-	305,579
151,027	-	151,027
11,721,665	-	11,721,665
-	-	-
1,801,165	-	1,801,165
100,000	-	100,000
38,390	-	38,390
19,038,552	727,706	19,766,258
1,048,687	(1,048,687)	-
20,087,239	(320,981)	19,766,258
17,290,818	-	17,290,818
514,394	-	514,394
1,042,713	-	1,042,713
1,557,107	-	1,557,107
18,847,925	-	18,847,925
1,239,314	(320,981)	918,333
14,731,685	2,249,815	16,981,500
\$ 15,970,999	\$ 1,928,834	\$ 17,899,833

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

STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			
	Program Expense -Food Distribution	Supporting Services		Total
		Management and General	Fundraising	
Accounting and professional fees	\$ -	\$ 37,948	\$ 50,303	\$ 88,251
Advertising	-	-	19,227	19,227
Computer upgrade	54,018	56,178	105,875	216,071
Conferences	4,341	15,915	15,915	36,171
Contract labor	156,870	13,791	1,724	172,385
Depreciation	777,999	24,830	24,830	827,659
Direct mail expense	-	-	307,219	307,219
Distribution of commodities	2,442,723	-	-	2,442,723
Distribution of food	11,752,001	-	-	11,752,001
Dues	9,099	3,966	10,266	23,331
Food purchases with FEMA revenue	57,031	-	-	57,031
Fuel and mileage	45,631	971	1,942	48,544
In-kind expense	-	34,563	30,650	65,213
Insurance	126,487	43,367	10,842	180,696
Interest expense	86,601	2,764	2,764	92,129
Bank fees	-	29,318	-	29,318
Equipment	29,665	3,955	5,933	39,553
Miscellaneous expense	25,930	1,995	567	28,492
Payroll taxes	76,912	16,315	23,307	116,534
Postage	1,307	5,229	19,606	26,142
Printing and publication	343	686	33,280	34,309
Repairs and maintenance	93,712	9,476	2,106	105,294
Rentals	57,389	-	-	57,389
Retirement and employee benefits	112,558	25,200	30,241	167,999
Salaries	995,791	211,229	301,755	1,508,775
Service contracts	1,512	5,292	3,996	10,800
Special event expense	-	-	23,594	23,594
Supplies	57,556	12,886	15,463	85,905
Telephone	20,101	4,711	6,596	31,408
Transportation	80,066	-	-	80,066
Training	-	-	-	-
Rent and utilities	38,207	8,955	12,537	59,699
Volunteer program	-	-	-	-
Waste disposal	13,613	434	434	14,481
	<u>\$ 17,117,463</u>	<u>\$ 569,974</u>	<u>\$ 1,060,972</u>	<u>\$ 18,748,409</u>

The accompanying notes are an integral part of these statements.

2017			
Program Expense -Food Distribution	Supporting Services		Total
	Management and General	Fundraising	
\$ -	\$ 27,321	\$ 50,740	\$ 78,061
-	-	15,001	15,001
25,199	50,397	25,199	100,795
6,960	25,057	14,385	46,402
235,173	17,701	-	252,874
685,977	21,893	21,893	729,763
-	-	359,052	359,052
1,749,611	-	-	1,749,611
12,578,599	-	-	12,578,599
20,794	2,599	5,487	28,880
127,197	-	-	127,197
41,268	878	1,756	43,902
-	-	13,956	13,956
95,709	35,187	9,852	140,748
85,631	2,733	2,733	91,097
-	24,701	-	24,701
18,410	9,205	9,205	36,820
55,945	2,975	595	59,515
74,555	17,751	26,035	118,341
944	3,777	14,161	18,882
2,041	1,750	25,368	29,159
114,978	1,198	3,593	119,769
106,952	-	-	106,952
97,542	15,112	24,730	137,384
938,671	227,098	348,217	1,513,986
11,621	3,296	2,428	17,345
-	-	31,333	31,333
44,094	6,831	11,179	62,104
21,117	4,097	6,304	31,518
66,711	-	-	66,711
-	82	-	82
64,666	12,547	19,303	96,516
80	-	-	80
20,373	208	208	20,789
<u>\$ 17,290,818</u>	<u>\$ 514,394</u>	<u>\$ 1,042,713</u>	<u>\$ 18,847,925</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (1,313,323)	\$ 918,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment contributions	(91,607)	(85,960)
Depreciation	827,659	729,763
Forgiveness of debt	(100,000)	(100,000)
Unrealized depreciation (appreciation) of investments	64,256	(129,038)
Net present value discount on unconditional promises to give	-	(1,664)
Imputed interest on forgivable debt	9,445	9,445
Food inventory - donated and purchased, net	942,845	411,924
Net change in:		
Other receivables	56,889	(40,029)
Grant receivable- FEMA	895,195	(18,914)
Unconditional promises to give	250	60,000
Prepaid expenses	(4,295)	(10,230)
Promise to give - United Way	20,385	-
Food inventory - commodities	21,282	(51,554)
Accrued interest payable	(482)	(735)
Accounts payable	48,404	92,337
Accrued expenses and other liabilities	(6,944)	12,325
Other current assets	(13,956)	-
Net cash provided by operating activities	<u>1,356,003</u>	<u>1,796,003</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(454,116)	(2,577,943)
Purchase of investments	(112,974)	(101,314)
Net cash used in investing activities	<u>(567,090)</u>	<u>(2,679,257)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Endowment contributions	91,607	85,960
Principal payments on notes payable	(166,703)	(205,921)
Principal payments on capital lease obligations	(83,476)	(52,783)
Net cash used in financing activities	<u>(158,572)</u>	<u>(172,744)</u>
Net change in cash and cash equivalents	630,341	(1,055,998)
Cash and cash equivalents at beginning of year	<u>3,423,789</u>	<u>4,479,787</u>
Cash and cash equivalents at end of year	<u>\$ 4,054,130</u>	<u>\$ 3,423,789</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 101,092</u>	<u>\$ 99,807</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, Federal Emergency Management Agency (FEMA); purchased food; and the U.S. Department of Agriculture (USDA) Commodities program.

Due to heavy rainfall and severe storms in Louisiana between August 12 and August 15, 2016, record flooding throughout East Baton Rouge Parish endangered the lives of Louisianans and inflicted heavy damage to public and private property, including The Food Bank. The Food Bank's building received flood water that reached four or more feet in height, damaging the building and destroying its contents and fixed assets. See note 14.

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 the following net asset classifications:

New Accounting Pronouncements Adopted

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Bank has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Food Bank's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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)

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.

Revenue Recognition and Promises to Give

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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, 2018 or 2017.

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 unrelated business taxable income of \$26,000 and \$24,000 related to rental income for the years ended December 31, 2018 and 2017, respectively. The Organization filed Form 990T in relation to this business income, however, no material amount of income tax was paid due to the related expenses that were deductible from the income. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2018 or 2017.

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)

Income Taxes (continued)

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.

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, 2018 and 2017, was \$1.68 and \$1.73 per pound, respectively. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically. MRE's are valued using available market prices (fair value) for meals with a similar test by date. The average fair value at December 31, 2017 was \$60. All MRE's were distributed during the year ended December 31, 2017. Donated food inventory received is recorded as net assets without donor restrictions at an amount equal to the determined value in accordance with the aforementioned guidelines. Purchased food inventory is recorded at cost. The Food Bank also received donated food from FEMA which is recorded at a price provided by FEMA which approximates fair value.

Food Inventory - Commodities

The Food Bank records commodities inventory as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as net assets without donor restrictions at an amount equal to the determined value in accordance with the aforementioned guidelines. During the years ended December 31, 2018 and 2017, the food product prices averaged \$1.03 per pound and \$.99 per pound, respectively.

Investments

Investments are carried at net asset value (NAV) of units held by the Food Bank at year end. The change in fair value is recognized as a component of investment income.

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. Restricted cash represents amounts held by the Organization with donor-imposed restrictions.

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)

Other Receivables

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 from various 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, 2018 or 2017.

Donated Services and Materials

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 are reflected as contributions in kind and supporting services on the accompanying financial statements of activities and statements of functional expenses at their estimated fair market 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 \$80,000 and \$94,000 for the years ended December 31, 2018 and 2017, respectively. The amount at December 31, 2018, consisted mainly of donated professional services of \$35,000. The amount at December 31, 2017, consisted mainly of donated software of \$80,000.

Accounting pronouncements issued but not yet adopted

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This standard will be effective for annual periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. The standard is effective for annual periods beginning after December 15, 2019.

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)

Accounting pronouncements issued but not yet adopted (continued)

In June 2018, the FASB issued ASU No. 2018-08 “*Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*” to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for years ending June 30, 2020.

The Food Bank is currently assessing the impact of these pronouncements on its financial statements.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements in order for them to be consistent with the 2018 presentation.

2. AVAILABILITY AND LIQUIDITY

The following represents the Food Bank’s financial assets at December 31, 2018 and 2017:

Financial assets at year end:	2018	2017
Cash and cash equivalents	\$ 3,478,216	\$ 2,596,154
Other receivables	53,440	110,329
Promise to give - United Way	92,865	113,250
Investments	<u>1,658,405</u>	<u>1,609,687</u>
Total financial assets	5,282,926	4,429,420
Less amounts not available to be used within one year:		
Endowment fund - donor restricted	1,151,700	1,065,630
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,131,226</u>	<u>\$ 3,363,790</u>

The Food Bank’s cash flows have seasonal variations during the year attributable to a concentration of contributions received during holidays and at calendar year-end. To manage liquidity, the Food Bank maintains certain cash and cash equivalents of over \$828,000 of the \$4.1 million as of December 31, 2018 and \$3.4 million as of December 31, 2017, as noted above that could meet any operating cash flow needs for an extended period as well as any major maintenance and repairs needed on their facility.

In addition, as of December 31, 2018 and 2017, the Food Bank had \$506,705 and \$544,057, respectively, in funds without donor restrictions in their endowment that could be made available for general operations with Board approval.

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3. NET ASSETS

Net assets with donor restrictions were as follows at December 31:

	<u>2018</u>	<u>2017</u>
Specific Purpose		
Bucks for Trucks Program	\$ 50,955	\$ 70,118
Back Pack Program	29,048	78,333
United Way Promise to Give – General and Administration	92,865	113,250
Estate of Elizabeth Ferro – Garden	20,000	20,000
Adopt a Senior	27,213	13,200
Mobile Pantry	14,378	27,130
Food Purchases	10,630	-
Farm Fresh	87,709	64,183
Passage of Time		
Capital Campaign	<u>248,707</u>	<u>473,295</u>
	<u>\$ 581,505</u>	<u>\$ 859,509</u>
Endowment Fund		
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>1,159,432</u>	<u>1,069,325</u>
Total net assets with donor restrictions	<u>\$ 1,740,937</u>	<u>\$ 1,928,834</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 \$227,746; Bucks for Trucks Program of \$101,913; Back Pack Program of \$193,434; Food Purchases \$109,520; Farm Fresh Program of \$112,833; and United Way of \$206,115 were the primary funds released from net assets with donor restrictions during 2018.

Capital Campaign funds of \$273,580; Bucks for Trucks Program of \$92,518; Back Pack Program of \$170,490; Food Purchases \$77,171; and United Way of \$254,409 were the primary funds released from restrictions during 2017.

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 14,338,868	\$ 15,426,942
Endowment net assets	<u>506,705</u>	<u>544,057</u>
	<u>\$ 14,845,573</u>	<u>\$ 15,970,999</u>

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2018 and 2017. 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.

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4. USDA COMMODITIES (continued)

Activity of commodities is summarized as follows:

	<u>2018</u>	<u>2017</u>
Commodity inventory at beginning of year	\$ 462,104	\$ 410,550
Food commodities received	2,421,441	1,801,165
Distributed, discarded, and adjustment	<u>(2,442,723)</u>	<u>(1,749,611)</u>
Commodity inventory at end of year	<u>\$ 440,822</u>	<u>\$ 462,104</u>

5. NOTES PAYABLE

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. Beginning in 2014, an amount equal to one fifth of the total amount of this loan is forgiven annually. During the years ended December 31, 2018 and 2017, respectively, \$100,000 was forgiven on the loan.

The Organization also received an additional \$500,000 repayable loan with the Office of Community Development during the year ended December 31, 2014. This is a principal only loan which is also for the rehabilitation of the new office and warehouse. Therefore, interest was imputed at a rate of 4%. In 2014, the present value of the note payable was \$405,545. Interest expense of \$9,445 was recorded for the years ended December 31, 2018 and 2017. 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 was December 31, 2013, or March 31, 2014. Payments totaling approximately \$46,000 were made for the year ended December 31, 2017. No payments were made for the year ended December 31, 2018 in anticipation of the note being forgiven which occurred on February 27, 2019. See Note 15.

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

	<u>2018</u>	<u>2017</u>
Loan with Bancorp South; 180 monthly payments of \$18,967 at 4% interest; balloon payment in the amount of \$950,075 due August 5, 2021; secured by the building	\$ 1,414,788	\$ 1,581,491
Community Development Block Grant (CDBG) repayable loan; 10 years with imputed interest of 4%; secured by the building	277,781	268,336
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building	<u>-</u>	<u>100,000</u>
Subtotal	1,692,569	1,949,827
Less: current portion	<u>(259,053)</u>	<u>(211,621)</u>
Long term debt- net of maturities	<u>\$ 1,433,516</u>	<u>\$ 1,738,206</u>

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5. NOTES PAYABLE (continued)

The notes are expected to mature as follows:

<u>Year ending December 31st</u>	<u>Amount</u>
2019	\$ 259,053
2020	221,352
2021	1,100,770
2022	40,555
2023	40,555
Thereafter	<u>30,284</u>
	<u>\$ 1,692,569</u>

6. VEHICLE LEASES

The Food Bank leases delivery trucks for food distribution.

Operating Leases

An operating lease was entered into in April 2016, but the truck was not put into service until October 2016. The lease has a term of 54 months with a fixed monthly charge of \$1,545. Rental expense for the leases which includes the fixed monthly charge plus mileage was \$34,068 and \$39,100 for the years ended December 31, 2018 and 2017, respectively.

The operating lease requires annual rental payments as follows:

2019	\$ 18,540
2020	18,540
2021	<u>4,635</u>
	<u>\$ 41,715</u>

Capital Leases

On January 3, 2017, the Food Bank entered into five capital lease agreements each with a term of 84 months. The trucks were put into service on dates ranging from May 2017 to July 2017. The leases are to be paid in monthly installments ranging from \$1,740 to \$1,840 per month. The total lease obligation and cost included in fixed assets for the capital leases was \$643,801 at both December 31, 2018 and 2017. Lease obligation principal payments totaled \$83,476 and \$52,783 for the years ended December 31, 2018 and 2017, respectively. Accumulated depreciation for these assets was \$249,637 and \$91,972 as of December 31, 2018 and 2017, respectively.

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6. VEHICLE LEASES (continued)

Capital Leases (continued)

The future minimum lease payments required under these agreements are as follows:

2019	\$	105,600
2020		105,600
2021		105,600
2022		105,600
2023		105,600
Thereafter		<u>36,603</u>
		564,603
Less: interest	(<u>57,061</u>)
Total capital lease obligation	\$	<u><u>507,542</u></u>

7. RETIREMENT PLAN

The Food Bank has a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all 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 \$23,785 and \$24,661 to this Plan during the years ended December 31, 2018 and 2017 respectively.

8. INVESTMENT INCOME

The Food Bank has cash in money market accounts and pooled separate accounts held by BRAF that pay interest. Investment income (loss) on investments was comprised of the following:

	<u>2018</u>	<u>2017</u>
Net unrealized (loss) gains on endowment fund	(\$ 64,256)	\$ 129,038
Dividend and interest	41,469	35,260
Investment fees	<u>(14,565)</u>	<u>(13,271)</u>
	<u><u>(\$ 37,352)</u></u>	<u><u>\$ 151,027</u></u>

9. FUNCTIONAL ALLOCATION OF EXPENSES BY NATURE AND CLASS

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. The method of allocation for depreciation, interest expense, waste disposal and other miscellaneous expenses including pest control and security is based on square footage. The method of allocation for insurance, retirement and employee benefits, supplies, telephone and utilities is based on full time equivalents.

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10. 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.

11. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give other than United Way at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 4,950	\$ 5,200
Receivable in one to five years	<u>-</u>	<u>-</u>
Total unconditional promises to give	4,950	5,200
Less: Discount to net present value	<u>(616)</u>	<u>(616)</u>
Net unconditional promises to give	<u>\$ 4,334</u>	<u>\$ 4,584</u>

The discount rate used on the valuation of long-term promises to give was 2.73% for the year ended December 31, 2015, the rate of return of the 30 year U.S. Treasury Bill. There were no new pledges for the years ended December 31, 2018 and 2017.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America (GAAP) provides for 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).

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization 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, 2018 and 2017.

Money market and pooled funds: 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, 2018 and 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2018	\$ -	\$ 1,658,405	\$ -
Pooled Investments at December 31, 2017	\$ -	\$ 1,609,687	\$ -

13. 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.

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13. ENDOWMENT NET ASSETS (continued)

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 (BRAf). 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 \$1,658,405 and \$1,609,687 as of December 31, 2018 and 2017, respectively, are recorded at their fair value which is based on the net asset value of BRAf's investment pool.

As of December 31, 2018 and 2017, all interest and dividend income and unrealized gains were classified as without donor restriction.

The endowment net asset composition by type of fund was as follows as of December 31, 2018 and 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2018	\$ <u>506,705</u>	\$ <u>1,151,700</u>	\$ <u>1,658,405</u>
Donor-Restricted Endowment as of December 31, 2017	\$ <u>544,057</u>	\$ <u>1,065,630</u>	\$ <u>1,609,687</u>

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13. ENDOWMENT NET ASSETS (continued)

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ 544,057	\$ 1,065,630	\$ 1,609,687
Investment Return:			
Investment gain	41,469	-	41,469
Net depreciation	(64,256)	-	(64,256)
Investment expenses	(14,565)	-	(14,565)
Contributions	<u>-</u>	<u>86,070</u>	<u>86,070</u>
Endowment net assets, December 31, 2018	<u>\$ 506,705</u>	<u>\$ 1,151,700</u>	<u>\$ 1,658,405</u>

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 393,030	\$ 986,305	\$ 1,379,335
Investment Return:			
Investment gain	35,260	-	35,260
Net appreciation	129,038	-	129,038
Investment expenses	(13,271)	-	(13,271)
Contributions	<u>-</u>	<u>79,325</u>	<u>79,325</u>
Endowment net assets, December 31, 2017	<u>\$ 544,057</u>	<u>\$ 1,065,630</u>	<u>\$ 1,609,687</u>

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14. THE FLOOD AND INSURANCE PROCEEDS

Due to heavy rainfall and severe storms in Louisiana between August 12 and August 15, 2016, record flooding throughout East Baton Rouge Parish endangered the lives of Louisianans and inflicted heavy damage to public and private property, including The Food Bank. The Food Bank's building received flood water that reached four or more feet in height, damaging the building and destroying certain contents and fixed assets.

The Food Bank maintained a flood and inland marine policy and filed a claim for recovery of damages to its property and equipment. The Food Bank reached a settlement of damages to the building and equipment insured and received approximately \$0.7 million during the year ended December 31, 2016. The Governor of Louisiana requested a Presidential disaster declaration, which was declared (DR-4277) on August 14, 2016, authorizing the Federal Emergency Management Agency (FEMA) to activate the Public Assistance (PA) program. The Food Bank is seeking reimbursement for eligible recovery costs through the PA program for Emergency Protective Measures.

Under the Emergency Protective Measures PA program, the Food Bank submitted reimbursement requests to FEMA in the amount of \$1.6 million. As of December 31, 2018, the Food Bank has fully collected all they expect to receive from the Emergency Protective Measures PA program. In 2017, the Food Bank completed its extensive renovations to the facility. The Food Bank submitted its application for the Permanent Work Project Worksheets in the amount of \$1.2 million and has collected a total of \$1.0 million to date. At December 31, 2018, The Food Bank has recorded a receivable for approximately \$263,000 on the Statement of Financial Position related to the Permanent Work Project Worksheets.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2019, and determined that the following requires additional disclosure. On February 27, 2019 by action of the East Baton Rouge Metropolitan Council, the City of Baton Rouge –Parish of East Baton Rouge, amended its agreements with the Food Bank to provide for the forgiveness of the remaining balance of the CDBG repayable loan. As of December 31, 2018, the loan had a remaining principal balance of \$325,000, net of a discount of \$47,219, for a total balance of \$277,781. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

GREATER BATON ROUGE FOOD BANK
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SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2018

Chief Executive Officer: Michael G. Manning

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-
Total	\$ -

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This organization is not required to report the total compensation, reimbursements, and benefits paid to the chief executive officer as these costs are supported by private funds.