
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

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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, 2019 and 2018, 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, 2019 and 2018, 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) 2014-09 and related amendments, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2018-08 “*Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, The Greater Baton Rouge Food Bank is being impacted by disruptions in the economy and business interruptions associated with the coronavirus (COVID-19) pandemic. The Greater Baton Rouge Food Bank expects this matter to negatively impact its operating results and cash flows in 2020. 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 30, 2020, 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 30, 2020

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,865,385	\$ 3,478,216
Restricted cash	313,279	575,914
Total cash	3,178,664	4,054,130
Other receivables	169,121	81,955
Grant receivable - FEMA (footnote 14)	263,255	263,255
Prepaid expenses	37,239	46,886
Unconditional promises to give, net	18,460	4,334
Promise to give - United Way	30,000	92,865
Food inventory - donated and purchased	1,056,127	1,001,028
Food inventory - commodities	512,749	440,822
Other current assets	34,221	13,956
Total current assets	<u>5,299,836</u>	<u>5,999,231</u>
 <u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	11,538,824	11,507,633
Construction in process	-	264,875
Vehicles	280,181	280,181
Furniture, fixtures, and equipment	2,297,887	1,968,609
Leased equipment	643,801	643,801
	15,260,693	15,165,099
Less: Accumulated depreciation	<u>(4,264,787)</u>	<u>(3,548,051)</u>
Total property and equipment, net	<u>10,995,906</u>	<u>11,617,048</u>
 <u>OTHER ASSETS</u>		
Investments (footnote 12)	1,972,601	1,658,405
Long-term portion of unconditional promises to give	31,170	-
Total other assets	<u>2,003,771</u>	<u>1,658,405</u>
 Total assets	 <u>\$ 18,299,513</u>	 <u>\$ 19,274,684</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2019	2018
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 217,557	\$ 404,983
Accrued expenses and other liabilities	122,421	78,994
Accrued interest payable	3,585	4,086
Note payable - current portion	180,797	259,053
Lease obligation - current portion	90,419	86,880
Total current liabilities	<u>614,779</u>	<u>833,996</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	1,060,401	1,433,516
Lease obligation - less current portion	330,242	420,662
Total long-term liabilities	<u>1,390,643</u>	<u>1,854,178</u>
Total liabilities	<u>2,005,422</u>	<u>2,688,174</u>
<u>NET ASSETS</u>		
Without donor restriction	14,792,880	14,845,573
With donor restriction	1,501,211	1,740,937
Total net assets	<u>16,294,091</u>	<u>16,586,510</u>
Total liabilities and net assets	<u>\$ 18,299,513</u>	<u>\$ 19,274,684</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, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 2,599,873	\$ 176,982	\$ 2,776,855
United Way	37,355	60,000	97,355
Special events	88,822	-	88,822
FEMA Grant (footnote 14)	-	-	-
Emergency Food and Shelter Grant (FEMA)	63,838	-	63,838
Donated services and gifts in kind	41,467	-	41,467
Grant revenues - other	44,219	243,892	288,111
Local government support	28,500	10,000	38,500
SNAP Outreach	23,920	-	23,920
SNAP Ed	80,177	-	80,177
USDA commodities reimbursements	615,509	-	615,509
Investment income (loss), net	224,089	-	224,089
Food donations received	9,350,062	-	9,350,062
Purchased food program	54,919	-	54,919
Commodities received	6,209,883	-	6,209,883
Forgiveness of debt	277,781	-	277,781
Other	48,963	-	48,963
Total revenues and other support	19,789,377	490,874	20,280,251
Net assets released from restrictions			
Satisfaction of restrictions	730,600	(730,600)	-
Total revenues	20,519,977	(239,726)	20,280,251
<u>EXPENSES</u>			
Program - food distribution	18,861,024	-	18,861,024
Supporting services			
Management and general	588,054	-	588,054
Fundraising	1,123,592	-	1,123,592
Total supporting services	1,711,646	-	1,711,646
Total expenses	20,572,670	-	20,572,670
<u>CHANGE IN NET ASSETS</u>	(52,693)	(239,726)	(292,419)
Net assets - beginning of period	14,845,573	1,740,937	16,586,510
Net assets - end of period	\$ 14,792,880	\$ 1,501,211	\$ 16,294,091

The accompanying notes are an integral part of these statements.

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,872,350	\$ 319,272	\$ 3,191,622
50,373	185,730	236,103
69,845	-	69,845
225,000	-	225,000
57,031	-	57,031
80,213	-	80,213
53,062	302,366	355,428
23,000	-	23,000
21,925	-	21,925
-	-	-
316,923	-	316,923
(37,352)	-	(37,352)
10,253,853	-	10,253,853
64,401	-	64,401
2,421,441	-	2,421,441
100,000	-	100,000
55,653	-	55,653
16,627,718	807,368	17,435,086
995,265	(995,265)	-
17,622,983	(187,897)	17,435,086
17,117,463	-	17,117,463
569,974	-	569,974
1,060,972	-	1,060,972
1,630,946	-	1,630,946
18,748,409	-	18,748,409
(1,125,426)	(187,897)	(1,313,323)
15,970,999	1,928,834	17,899,833
\$ 14,845,573	\$ 1,740,937	\$ 16,586,510

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, 2019 AND 2018

	2019			
	Program Expense -Food Distribution	Supporting Services		Total
		Management and General	Fundraising	
Accounting and professional fees	\$ -	\$ 37,617	\$ 50,400	\$ 88,017
Advertising	-	-	8,820	8,820
Computer upgrade	62,591	74,003	47,347	183,941
Conferences	6,529	28,023	16,614	51,166
Contract labor	144,500	12,908	4,543	161,951
Depreciation	673,732	21,502	21,502	716,736
Direct mail expense	-	-	345,595	345,595
Distribution of commodities	6,137,956	-	-	6,137,956
Distribution of food	9,646,426	-	-	9,646,426
Dues	13,302	7,696	12,835	33,833
Food purchases with FEMA revenue	63,838	-	-	63,838
Fuel and mileage	53,229	836	2,709	56,774
In-kind expense	-	28,807	12,660	41,467
Insurance	131,129	36,889	14,093	182,111
Interest expense	68,033	2,171	2,171	72,375
Bank fees	-	28,864	-	28,864
Equipment	20,183	2,639	3,573	26,395
Miscellaneous expense	28,071	1,718	903	30,692
Payroll taxes	93,092	18,077	28,625	139,794
Postage	1,781	3,777	20,344	25,902
Printing and publication	1,217	1,555	36,312	39,084
Repairs and maintenance	92,613	2,072	2,072	96,757
Rentals	70,797	-	-	70,797
Retirement and employee benefits	141,882	10,874	38,207	190,963
Salaries	1,192,323	246,603	371,220	1,810,146
Service contracts	3,673	7,881	29,120	40,674
Special event expense	-	-	28,172	28,172
Supplies	81,895	3,158	5,822	90,875
Telephone	21,794	3,529	6,903	32,226
Transportation	58,214	-	-	58,214
Rent and utilities	39,900	6,461	12,637	58,998
Waste disposal	12,324	394	393	13,111
	<u>\$ 18,861,024</u>	<u>\$ 588,054</u>	<u>\$ 1,123,592</u>	<u>\$ 20,572,670</u>

The accompanying notes are an integral part of these statements.

2018				
Program Expense -Food Distribution	Supporting Services			Total
	Management and General	Fundraising		
\$ -	\$ 37,948	\$ 50,303	\$	88,251
-	-	19,227		19,227
54,018	56,178	105,875		216,071
4,341	15,915	15,915		36,171
156,870	13,791	1,724		172,385
777,999	24,830	24,830		827,659
-	-	307,219		307,219
2,442,723	-	-		2,442,723
11,752,001	-	-		11,752,001
9,099	3,966	10,266		23,331
57,031	-	-		57,031
45,631	971	1,942		48,544
-	34,563	30,650		65,213
126,487	43,367	10,842		180,696
86,601	2,764	2,764		92,129
-	29,318	-		29,318
29,665	3,955	5,933		39,553
25,930	1,995	567		28,492
76,912	16,315	23,307		116,534
1,307	5,229	19,606		26,142
343	686	33,280		34,309
93,712	9,476	2,106		105,294
57,389	-	-		57,389
112,558	25,200	30,241		167,999
995,791	211,229	301,755		1,508,775
1,512	5,292	3,996		10,800
-	-	23,594		23,594
57,556	12,886	15,463		85,905
20,101	4,711	6,596		31,408
80,066	-	-		80,066
38,207	8,955	12,537		59,699
13,613	434	434		14,481
<u>\$ 17,117,463</u>	<u>\$ 569,974</u>	<u>\$ 1,060,972</u>	<u>\$</u>	<u>18,748,409</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (292,419)	\$ (1,313,323)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment contributions	(57,878)	(91,607)
Depreciation	716,736	827,659
Forgiveness of debt	(277,781)	(100,000)
Unrealized depreciation (appreciation) of investments	(187,793)	64,256
Imputed interest on forgivable debt	-	9,445
Food inventory - donated and purchased, net	(55,099)	942,845
Net change in:		
Other receivables	(115,681)	28,374
Grant receivable- FEMA	28,515	923,710
Unconditional promises to give	(44,680)	250
Prepaid expenses	9,647	(4,295)
Promise to give - United Way	62,865	20,385
Food inventory - commodities	(71,927)	21,282
Accrued interest payable	(501)	(482)
Accounts payable	(187,426)	48,404
Accrued expenses and other liabilities	43,427	(6,944)
Other current assets	(20,881)	(13,956)
Net cash provided by (used in) operating activities	<u>(450,876)</u>	<u>1,356,003</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(95,594)	(454,116)
Purchase of investments	(126,403)	(112,974)
Net cash used in investing activities	<u>(221,997)</u>	<u>(567,090)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Endowment contributions	57,878	91,607
Principal payments on notes payable	(173,590)	(166,703)
Principal payments on capital lease obligations	(86,881)	(83,476)
Net cash used in financing activities	<u>(202,593)</u>	<u>(158,572)</u>
Net change in cash and cash equivalents	(875,466)	630,341
Cash and cash equivalents at beginning of year	<u>4,054,130</u>	<u>3,423,789</u>
Cash and cash equivalents at end of year	<u>\$ 3,178,664</u>	<u>\$ 4,054,130</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 71,874</u>	<u>\$ 101,092</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.

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:

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 Food Bank. These net assets may be used at the discretion of the Food Bank's management and 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, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

New Accounting Pronouncements Adopted

The Food Bank adopted Accounting Standards Update (ASU) 2014-09 and related amendments, *Revenue from Contracts with Customers* (Topic 606), during the year. This ASU was issued 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. Analysis of various provisions of this standard resulted in no significant changes in the way the Food Bank recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

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)

New Accounting Pronouncements Adopted (continued)

The Food Bank adopted ASU No. 2018-08 “*Not-for-Profit Entities* (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*” during the current year. This ASU was issued to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU 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 pronouncement did not have a material impact on the Food Bank’s financial statements.

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.

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 (continued)

Management has evaluated Promises to Give and determined that an allowance for doubtful accounts of \$5,000 was necessary as of December 31, 2019. Management does not believe an allowance is necessary as of December 31, 2018.

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 \$24,600 and \$26,000 related to rental income for the years ended December 31, 2019 and 2018, 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, 2019 or 2018.

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, 2019 and 2018, was \$1.62 and \$1.68 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. There were no MRE's at December 31, 2019 or 2018. 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. In 2018, the Food Bank distributed donated food directly from FEMA which was recorded at a price provided by FEMA which approximated fair value. No donated food was received or distributed from FEMA for the year ended 2019.

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, 2019 and 2018, the food product prices averaged \$1.16 per pound and \$1.03 per pound, respectively.

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)

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.

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, 2019 or 2018.

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 \$41,500 and \$80,200 for the years ended December 31, 2019 and 2018, respectively. The amount at December 31, 2019 and 2018 consisted mainly of donated professional services of \$32,900 and \$35,000, respectively.

Accounting pronouncements issued but not yet adopted

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. The updated guidance is effective for annual periods beginning after December 15, 2021.

The Food Bank is currently assessing the impact of this pronouncement on its financial 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 (continued)

Reclassifications

Certain reclassifications have been made to the 2018 financial statements in order for them to be consistent with the 2019 presentation.

2. AVAILABILITY AND LIQUIDITY

The following represents the Food Bank's financial assets at December 31, 2019 and 2018:

Financial assets at year end:	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,865,385	\$ 3,478,216
Other receivables	169,121	81,955
Promise to give - United Way	30,000	92,865
Investments	<u>1,972,601</u>	<u>1,658,405</u>
Total financial assets	5,037,107	5,311,441
Less amounts not available to be used within one year:		
Endowment fund - donor restricted	1,241,807	1,151,700
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,795,300</u>	<u>\$ 4,159,741</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 \$3.8 million as of December 31, 2019 and \$4.2 million as of December 31, 2018, 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.

3. NET ASSETS

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

	<u>2019</u>	<u>2018</u>
Specific Purpose		
Bucks for Trucks Program	\$ 41,534	\$ 50,955
Back Pack Program	45,587	29,048
Estate of Elizabeth Ferro – Garden	20,000	20,000

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3. NET ASSETS (continued)

Specific Purpose (continued)

Adopt a Senior	47,902	27,213
Mobile Pantry	17,636	14,378
Food Purchases	42,749	10,630
Farm Fresh	28,383	87,709
Other	18,000	-

Passage of Time

Capital Campaign	22,110	248,707
	<u>283,901</u>	<u>581,505</u>

Endowment Fund

Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	1,217,310	1,159,432
Total net assets with donor restrictions	<u>\$ 1,501,211</u>	<u>\$ 1,740,937</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; Back Pack Program of \$199,625; United Way of \$92,865; Bucks for Trucks Program of \$74,421; and Farm Fresh Program of \$72,520 were the primary funds released from net assets with donor restrictions during 2019.

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.

Net assets without donor restrictions for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Undesignated	\$ 14,060,586	\$ 14,338,868
Endowment net assets	730,794	506,705
	<u>\$ 14,791,380</u>	<u>\$ 14,845,573</u>

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2019 and 2018. 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:

	2019	2018
Commodity inventory at beginning of year	\$ 440,822	\$ 462,104
Food commodities received	6,209,883	2,421,441
Distributed, discarded, and adjustment	(6,137,956)	(2,442,723)
Commodity inventory at end of year	<u>\$ 512,749</u>	<u>\$ 440,822</u>

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NOTES TO FINANCIAL STATEMENTS

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. As of December 31, 2018, the final \$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 \$0 and \$9,445 was recorded for the years ended December 31, 2019 and 2018, respectively. 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. No payments were made for the year ended December 31, 2018 in anticipation of the note being forgiven. 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 which had a remaining balance of \$325,000, net of a discount of \$47,219, for a total balance of \$277,781.

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

	<u>2019</u>	<u>2018</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	\$ 1,241,198	\$ 1,414,788
Community Development Block Grant (CDBG) repayable loan; 10 years with imputed interest of 4%; secured by the building	<u>-</u>	<u>277,781</u>
Subtotal	1,241,198	1,692,569
Less: current portion	(180,797)	(259,053)
Long term debt- net of maturities	<u>\$ 1,060,401</u>	<u>\$ 1,433,516</u>

The notes are expected to mature as follows:

<u>Year ending</u> <u>December 31st</u>	<u>Amount</u>
2020	\$ 180,797
2021	<u>1,060,401</u>
	<u>\$ 1,241,198</u>

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NOTES TO FINANCIAL STATEMENTS

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 \$45,938 and \$34,068 for the years ended December 31, 2019 and 2018, respectively.

The operating lease requires annual rental payments as follows:

2020	\$	18,540
2021		<u>4,635</u>
	\$	<u>23,175</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, 2019 and 2018. Lease obligation principal payments totaled \$86,881 and \$83,476 for the years ended December 31, 2019 and 2018, respectively. Accumulated depreciation for these assets was \$362,256 and \$249,637 as of December 31, 2019 and 2018, respectively.

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

2020	\$	105,600
2021		105,600
2022		105,600
2023		105,600
2024		<u>36,601</u>
		459,001
Less: interest	(<u>38,340)</u>
Total capital lease obligation	\$	<u>420,661</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 \$30,362 and \$23,785 to this Plan during the years ended December 31, 2019 and 2018 respectively.

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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>2019</u>	<u>2018</u>
Net unrealized (loss) gains on endowment fund	\$ 187,793	(\$ 64,256)
Dividend and interest	51,632	41,469
Investment fees	(15,336)	(14,565)
	<u>\$ 224,089</u>	<u>(\$ 37,352)</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.

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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 18,460	\$ 4,950
Receivable in one to five years	31,170	-
Total unconditional promises to give	49,630	4,950
Less: Discount to net present value	(-)	(616)
Net unconditional promises to give	<u>\$ 49,630</u>	<u>\$ 4,334</u>

During 2019, many of the Board members made pledges in response to the Wilson Challenge grant which the Food Bank received during the year. The pledges vary in amount and will be paid over one to five years. In 2019, the total pledges were \$65,205. Of this amount, \$10,575 was received in 2019. The unconditional promises to give outstanding as of December 31, 2019 total \$54,630, net of an allowance of \$5,000.

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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.

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, 2019 and 2018.

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.

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NOTES TO FINANCIAL STATEMENTS

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value of Assets Measured on a Recurring Basis

The following table presents, for each of the fair-value hierarchy levels, the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2019 and 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2019	\$ -	\$ 1,972,601	\$ -
Pooled Investments at December 31, 2018	\$ -	\$ 1,658,405	\$ -

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.

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 \$1,972,601 and \$1,658,405 as of December 31, 2019 and 2018, respectively, are recorded at their fair value which is based on the net asset value of BRAAF's investment pool.

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NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

As of December 31, 2019 and 2018, 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, 2019 and 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2019	\$ 730,794	\$ 1,241,807	\$ 1,972,601
Donor-Restricted Endowment as of December 31, 2018	\$ 506,705	\$ 1,151,700	\$ 1,658,405

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, December 31, 2018	\$ 506,705	\$ 1,151,700	\$ 1,658,405
Investment Return:			
Investment gain	51,632	-	51,632
Net appreciation	187,793	-	187,793
Investment expenses	(15,336)	-	(15,336)
Contributions	<u>-</u>	<u>90,107</u>	<u>90,107</u>
Endowment net assets, December 31, 2019	<u>\$ 730,794</u>	<u>\$ 1,241,807</u>	<u>\$ 1,972,601</u>

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NOTES TO FINANCIAL STATEMENTS

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 appreciation	(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>

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 recorded a receivable for approximately \$263,000 on the Statement of Financial Position related to the Permanent Work Project Worksheets. FEMA has approved the reimbursement request; however, as of December 31, 2019, the receivable has not been collected.

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15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2020, and determined that the following requires additional disclosure. In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Food Bank's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the local and national economy which remains uncertain and cannot be predicted. The extent to which the COVID-19 pandemic may directly or indirectly impact the Food Bank's financial condition or results of operations cannot be reasonably estimated at this time.

In response to the COVID-19 pandemic, on April 6, 2020, the Food Bank applied for a Payroll Protection Program (PPP) loan totaling \$427,500. On April 21, 2020, the Food Bank received \$427,655 in response to their application.

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, 2019

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.