
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2012



A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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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 (the Organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2012 and 2011, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 14, 2013, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville
Baton Rouge, Louisiana
June 14, 2013

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,239,512	\$ -
Restricted cash	1,778,727	3,291,557
Certificates of deposits	-	214,601
Accounts receivable	98,292	45,771
Prepaid insurance	11,771	800
Unconditional promises to give	800,229	1,007,982
Promise to give - United Way	137,500	130,000
Food inventory - donated and purchased	1,603,376	2,219,693
Food inventory - commodities	162,811	155,401
Total current assets	<u>5,832,218</u>	<u>7,065,805</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	6,696,469	6,685,574
Construction in process	309,409	124,214
Vehicles	335,355	335,355
Furniture, fixtures, and equipment	346,925	346,566
	<u>8,188,158</u>	<u>7,991,709</u>
Less: Accumulated depreciation	<u>(2,036,907)</u>	<u>(1,772,252)</u>
	<u>6,151,251</u>	<u>6,219,457</u>
<u>OTHER ASSETS</u>		
Investments - restricted (footnote 14)	911,771	762,661
Long-term portion of unconditional promises to give	727,014	1,326,474
Total other assets	<u>1,638,785</u>	<u>2,089,135</u>
 Total assets	 <u>\$ 13,622,254</u>	 <u>\$ 15,374,397</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	2012	2011
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 200,503	\$ 192,156
Accrued expenses and other liabilities	20,709	32,551
Note payable - current portion	28,155	1,782,405
Total current liabilities	<u>249,367</u>	<u>2,007,112</u>
<u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	24,505	52,301
Total long-term liabilities	<u>24,505</u>	<u>52,301</u>
Total liabilities	<u>273,872</u>	<u>2,059,413</u>
<u>NET ASSETS</u>		
Unrestricted	9,939,328	7,685,980
Temporarily restricted	2,730,108	5,021,382
Permanently restricted	678,946	607,622
Total net assets	<u>13,348,382</u>	<u>13,314,984</u>
Total liabilities and net assets	\$ 13,622,254	\$ 15,374,397

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 1,929,671	\$ 526,012	\$ 71,324	\$ 2,527,007
United Way	130,000	137,500	-	267,500
Special events	90,069	-	-	90,069
FEMA	39,773	-	-	39,773
Donated services and gifts in kind	29,018	-	-	29,018
Hurricane relief grants	100,000	155,000	-	255,000
Grant revenues	87,335	193,550	-	280,885
Local government support	33,300	-	-	33,300
SNAP Outreach	26,556	-	-	26,556
USDA commodities reimbursements	255,254	-	-	255,254
Investment income	86,812	-	-	86,812
Food donations received	15,147,272	-	-	15,147,272
Commodities received	1,128,379	-	-	1,128,379
Cluster transportation	13,380	-	-	13,380
Central Regions Food Bank	-	-	-	-
Other	76,685	-	-	76,685
Total revenues	19,173,504	1,012,062	71,324	20,256,890
Net assets released from restrictions				
Satisfaction of purpose of restrictions	3,303,336	(3,303,336)	-	-
Total revenues	22,476,840	(2,291,274)	71,324	20,256,890
<u>EXPENSES</u>				
Program	19,379,237	-	-	19,379,237
Administration	216,298	-	-	216,298
Fundraising	627,957	-	-	627,957
Total expenses	20,223,492	-	-	20,223,492
<u>CHANGE IN NET ASSETS</u>	2,253,348	(2,291,274)	71,324	33,398
Net assets - beginning of period	7,685,980	5,021,382	607,622	13,314,984
Net assets - end of period	\$ 9,939,328	\$ 2,730,108	\$ 678,946	\$ 13,348,382

The accompanying notes are an integral part of these statements.

2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,836,465	\$ 1,903,762	\$ 72,335	\$ 3,812,562
130,000	130,000	-	260,000
67,657	-	-	67,657
36,727	-	-	36,727
62,135	-	-	62,135
-	-	-	-
34,321	138,477	-	172,798
35,800	-	-	35,800
27,915	-	-	27,915
170,336	-	-	170,336
21,297	-	-	21,297
12,374,627	-	-	12,374,627
1,309,437	-	-	1,309,437
25,846	-	-	25,846
37,169	-	-	37,169
8,974	-	-	8,974
16,178,706	2,172,239	72,335	18,423,280
1,248,423	(1,248,423)	-	-
17,427,129	923,816	72,335	18,423,280
15,611,375	-	-	15,611,375
209,453	-	-	209,453
583,068	-	-	583,068
16,403,896	-	-	16,403,896
1,023,233	923,816	72,335	2,019,384
6,662,747	4,097,566	535,287	11,295,600
\$ 7,685,980	\$ 5,021,382	\$ 607,622	\$ 13,314,984

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 30,635	\$ -	\$ 30,635
Advertising	14,057	-	897	14,954
Write down of pledges	50,000	-	-	50,000
Bad debt expense	-	-	-	-
Capital Campaign	-	-	89,384	89,384
Cluster transportation	10,265	-	-	10,265
Cold storage	1,771	-	-	1,771
Conferences	18,644	388	388	19,420
Contract labor	60,149	-	-	60,149
Depreciation	264,655	-	-	264,655
Direct mail expense	-	-	308,391	308,391
Distribution of commodities	1,120,969	-	-	1,120,969
Distribution of donated food	16,040,181	-	-	16,040,181
Dues	12,806	1,507	4,520	18,833
Food purchases with FEMA revenue	39,773	-	-	39,773
Fuel and mileage	98,234	2,090	4,180	104,504
In-kind expense	29,018	-	-	29,018
Insurance	218,247	-	-	218,247
Interest expense	47,284	-	-	47,284
Investment fees and expenses	8,566	-	-	8,566
Equipment	10,160	-	-	10,160
Miscellaneous expense	53,708	550	550	54,808
Payroll taxes	61,064	12,041	12,901	86,006
Postage	19,425	2,428	2,428	24,281
Printing and publication	19,781	2,473	2,473	24,727
Repairs and maintenance	57,009	-	-	57,009
Retirement	17,309	3,413	3,657	24,379
Salaries	783,486	154,490	165,525	1,103,501
Service contracts	17,107	-	-	17,107
Special event expense	-	-	26,404	26,404
Supplies	24,670	3,084	3,084	30,838
Telephone	17,294	2,162	2,162	21,618
Transportation	60,065	-	-	60,065
Training	593	111	87	791
Utilities	40,401	412	412	41,225
Vehicle leases	104,715	-	-	104,715
Volunteer program	7,457	-	-	7,457
Waste disposal	50,374	514	514	51,402
	<u>\$ 19,379,237</u>	<u>\$ 216,298</u>	<u>\$ 627,957</u>	<u>\$ 20,223,492</u>

The accompanying notes are an integral part of these statements.

2011

Program	Administration	Fundraising	Total
\$ -	\$ 30,455	\$ -	\$ 30,455
18,508	-	1,181	19,689
-	-	-	-
1,569	-	-	1,569
-	-	128,784	128,784
27,446	-	-	27,446
2,990	-	-	2,990
55,603	1,158	1,158	57,919
25,450	-	-	25,450
282,248	-	-	282,248
-	-	234,582	234,582
1,242,015	-	-	1,242,015
12,193,135	-	-	12,193,135
10,439	1,228	3,684	15,351
36,727	-	-	36,727
86,419	1,839	3,677	91,935
62,135	-	-	62,135
189,705	-	-	189,705
100,582	-	-	100,582
7,198	-	-	7,198
7,067	-	-	7,067
12,907	392	392	13,691
58,098	11,456	12,274	81,828
16,030	2,004	2,004	20,038
44,880	5,610	5,610	56,100
52,344	-	-	52,344
12,405	2,446	2,621	17,472
734,407	144,813	155,157	1,034,377
14,759	-	-	14,759
-	-	24,334	24,334
20,300	2,538	2,538	25,376
20,233	2,529	2,529	25,291
77,911	-	-	77,911
11,053	2,063	1,621	14,737
52,824	539	539	53,902
89,070	-	-	89,070
7,395	-	-	7,395
37,523	383	383	38,289
<u>\$ 15,611,375</u>	<u>\$ 209,453</u>	<u>\$ 583,068</u>	<u>\$ 16,403,896</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 33,398	\$ 2,019,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(71,324)	(72,335)
Bad debt expense	-	1,569
Write down of pledges	50,000	-
Depreciation	264,655	282,248
Unrealized appreciation of investments	(67,671)	(1,043)
Donated inventory	616,317	(372,956)
Net change in:		
Accounts receivable	(52,521)	7,683
Prepaid insurance	(10,971)	(800)
Unconditional promises to give	789,924	330,135
Net present value discount on unconditional promises to give	(32,711)	(24,977)
Promise to give - United Way	(7,500)	(5,000)
Commodities inventory	(7,410)	(67,422)
Accounts payable	8,347	136,367
Accrued expenses and other liabilities	(11,842)	(2,499)
Net cash provided by operating activities	<u>1,500,691</u>	<u>2,230,354</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(196,449)	(210,033)
Redemption of certificates of deposit	214,601	-
Purchase of investments	(81,439)	(11,290)
Net cash used in investing activities	<u>(63,287)</u>	<u>(221,323)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	71,324	72,335
Principal payments on notes payable	(1,782,046)	(531,747)
Net cash used in financing activities	<u>(1,710,722)</u>	<u>(459,412)</u>
Net change in cash and cash equivalents	(273,318)	1,549,619
Cash and cash equivalents at beginning of year	<u>3,291,557</u>	<u>1,741,938</u>
Cash and cash equivalents at end of year	<u>\$ 3,018,239</u>	<u>\$ 3,291,557</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 53,083</u>	<u>\$ 101,957</u>

The accompanying notes are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates have been applied in the determination of donated food values and depreciation in preparation of the accompanying financial statements.

Property and Equipment

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

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

Management has evaluated Promises to Give and does not believe an allowance is necessary at December 31, 2012 or 2011.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization had an unrelated business taxable income of approximately \$30,000 for the year ended December 31, 2011 related to rental income. The Organization filed Form 990T in relation to this business income, however, no income tax was paid due to the related expenses that were deductible from the income. The Organization had no unrelated business taxable income for the year ended December 31, 2012. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2012 or 2011.

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

With few exceptions, the statute of limitation for the examination of the Food Bank's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after December 31, 2009.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Inventory - Donated and Purchased

Food inventory, predominately donated, including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used for the years ended December 31, 2012 and 2011, was \$1.66 per pound. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically during the year. MRE's are valued using available market prices (fair value). The average fair value at December 31, 2012 and 2011 was \$54 and \$65 per case, respectively. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

Purchased food inventory is recorded at cost.

Food Inventory - Commodities

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

Investments

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

Cash and Cash Equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist primarily of amounts due related to the Cluster Transportation (see Note 6) and various other grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance is necessary at December 31, 2012 or 2011.

Donated Services

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

Donated Materials

Donated materials are reflected as contribution income and expense in the accompanying financial statements at their estimated values at the date of receipt. Various materials were donated to the Food Bank to help aid in their mission. These materials were valued at approximately \$29,000 and \$62,000 for the years ended December 31, 2012 and 2011, respectively.

Reclassification

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

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

NOTES TO FINANCIAL STATEMENTS

2. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Bucks for Trucks Program	\$ 11,365	\$ -
Back Pack Program	48,773	42,733
Capital Campaign	2,532,226	4,841,627
United Way Promise to Give	137,500	130,000
Summer Job Program	244	-
Adopt a Senior	-	7,022
	<u>\$ 2,730,108</u>	<u>\$ 5,021,382</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 \$2,785,432; Bucks for Trucks of \$59,465; Back Pack Program of \$90,010; United Way of \$130,000 were the primary funds released from restrictions during 2012. Capital Campaign funds of \$837,189; Bucks for Trucks of \$68,481; Back Pack Program of \$52,676; United Way of \$125,000 were the primary funds released from restrictions during 2011.

3. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 678,946</u>	<u>\$ 607,622</u>

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

NOTES TO FINANCIAL STATEMENTS

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2012 and 2011. The objective of the program is to provide U.S. Department of Agriculture (USDA) donated commodities to low-income households through eligible organizations for home consumption. Commodities received are recorded in the accompanying financial statements as unrestricted revenue at their estimated fair value.

Activity of commodities is summarized as follows:

	<u>2012</u>	<u>2011</u>
Commodity inventory at beginning of year	\$ 155,401	\$ 87,979
Food commodities received	1,128,379	1,309,437
Distributed, discarded, and adjustment	<u>(1,120,969)</u>	<u>(1,242,015)</u>
Commodity inventory at end of year	<u>\$ 162,811</u>	<u>\$ 155,401</u>

5. NOTES PAYABLE

On July 1, 2009, the Food Bank paid \$500,000 and signed a promissory note for \$2,750,000 in a credit sale/donation transaction to acquire a building with the plans to relocate their headquarters. The remaining interest in the building was donated to the Food Bank by the owners. The total value of the land and building was approximately \$5,450,000. The Food Bank began making payments on this debt on July 1, 2010. The note was paid off on June 25, 2012 for \$1,750,000. The interest rate at December 31, 2011 was 5%.

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

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

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

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

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

	<u>2012</u>	<u>2011</u>
Fraenkel Company, Inc., 3 years at Wall Street Journal Prime plus 1.5%, requiring a \$500,000 initial payment, yearly payments of \$500,000, and a balloon payment of \$1,750,000 due July 2012; unsecured.	\$ -	\$ 1,750,000
Feeding America, an Arizona nonprofit corp., 3 years at 0% For the first year of the note, increasing to 2%, 3% and 4% At December 31, 2012, 2013 and 2014, Requiring yearly payments of \$24,505 plus interest; secured by vehicle due December 2014.	49,010	73,515
Toyota Financial Services, 3 years at 6.10% Requiring monthly payments of \$658 plus interest due May 2013; secured by forklift.	<u>3,650</u>	<u>11,191</u>
Subtotal	52,660	1,834,706
Less: current portion	(28,155)	(1,782,405)
Long term debt- net of maturities	<u>\$ 24,505</u>	<u>\$ 52,301</u>

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

<u>Year Ending</u>	<u>Principal</u>
2013	\$ 28,155
2014	<u>24,505</u>
	<u>\$ 52,660</u>

THE GREATER BATON ROUGE FOOD BANK
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. CLUSTER TRANSPORTATION

The Food Bank is the cluster head for various food banks. Other food banks in the cluster for 2012 and 2011 were the Food Bank of Central Louisiana and the Food Banks of Northeast and Northwest Louisiana. As the head of the cluster, the Food Bank coordinates and pays for the cluster's transportation costs and is then reimbursed monthly by the other food banks. Cluster transportation revenue is recorded in the accompanying financial statements as unrestricted revenue. Amounts due from the agencies are recognized as a component of accounts receivable.

7. VEHICLE LEASES

The Food Bank began leasing delivery trucks for food distribution in December of 2006. An additional lease was entered into in May of 2007. The terms of the lease require annual rental payments of approximately \$21,912 in 2013, and a final payment of \$5,765 in 2014. Rental expense for the leases was \$21,912 and \$62,920 for the years ended December 31, 2012 and 2011, respectively.

8. RETIREMENT PLAN

The Food Bank has a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all full time employees who have completed at least three months of service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, up to 10% of their pay. The Food Bank has the option to match up to 100% in any one year. The Food Bank contributed \$24,379 and \$17,472 to this Plan during the years ended December 31, 2012 and 2011, respectively.

9. INVESTMENT INCOME

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

Investment income on investments was comprised of the following:

	<u>2012</u>	<u>2011</u>
Net unrealized gains on endowment fund	\$ 67,671	\$ 1,043
Dividend and interest	<u>19,141</u>	<u>20,254</u>
	<u>\$ 86,812</u>	<u>\$ 21,297</u>

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10. FUNCTIONAL ALLOCATION OF EXPENSES

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

11. COMMITMENTS AND CONTINGENCIES

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

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board Accounting Standards Codification topic on Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement, determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

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

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

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2012 and 2011.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2012	\$ -	\$ 911,771	\$ -
Pooled Investments at December 31, 2011	\$ -	\$ 762,661	\$ -

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13. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2012 are as follows:

Receivable in less than one year	\$ 830,963
Receivable in one to five years	<u>757,300</u>
Total unconditional promises to give	1,588,263
Less: Discount to net present value	<u>(61,020)</u>
Net unconditional promises to give	<u>\$ 1,527,243</u>

The discount rate used on the valuation of long-term promises to give was 2.96% and 3.02% for the years ended December 31, 2012 and 2011, respectively, the rate of return of the 30 year U.S. Treasury Bill.

The scheduled payments on promises to give during the five years ending December 31, 2017, and thereafter are as follows:

2013	\$ 800,229
2014	516,479
2015	188,216
2016	12,615
2017	<u>9,704</u>
	<u>\$ 1,527,243</u>

During the years ended December 31, 2012 and 2011, \$50,000 and \$0, respectively was written off related to reduction in pledges.

14. ENDOWMENT NET ASSETS

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

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

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14. ENDOWMENT NET ASSETS (continued)

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 (BRAFI). To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The carrying amount of the investments of \$911,771 and \$762,661 as of December 31, 2012 and 2011, respectively, are recorded at their fair values. The investments are in pooled funds primarily composed of mutual funds held at the Baton Rouge Area Foundation.

As of December 31, 2012 and 2011, all interest and dividend income and unrealized gains were classified as unrestricted.

The net asset composition by type of fund was as follows as of December 31, 2012 and 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2012	\$ <u>232,825</u>	\$ <u>-</u>	\$ <u>678,946</u>	\$ <u>911,771</u>
Donor-Restricted Endowment as of December 31, 2011	\$ <u>155,039</u>	\$ <u>-</u>	\$ <u>607,622</u>	\$ <u>762,661</u>

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14. ENDOWMENT NET ASSETS (continued)

Changes in endowment funds by net asset category were as follows for the years ended December 31, 2012 and 2011:

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2011	\$ 227,374	\$ -	\$ 535,287	\$ 762,661
Investment Return:				
Investment income	10,115	-	-	10,115
Net appreciation	67,671	-	-	67,671
Contributions	<u>-</u>	<u>-</u>	<u>71,324</u>	<u>71,324</u>
Endowment net assets, December 31, 2012	<u>\$ 305,160</u>	<u>\$ -</u>	<u>\$ 606,611</u>	<u>\$ 911,771</u>

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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 14, 2013, and determined that the following items require additional disclosure.

- The Food Bank has entered into an agreement with the City of Baton Rouge and Office of Community Development to receive a \$500,000 forgivable loan and a \$500,000 repayable note. No amounts have been drawn as of December 31, 2012. The Food Bank expects to draw down these funds in 2013.
- On January 4, 2013, the Food Bank signed a promissory note for two construction loans for \$4,000,000 and \$1,000,000 with Capital One Bank. The construction loan for \$1,000,000 is intended as a bridge loan in the event the Food Bank experiences timing gaps on reimbursement for project costs under the grant with the City of Baton Rouge Office of Community Development. Under the agreement, the \$4,000,000 construction loan can be converted to a term loan in the amount of the lesser of \$4,000,000 or 75% of the appraised value of the project. The notes mature on October 4, 2013 and bear interest at the rate of LIBOR plus 3.250%, which shall be payable in quarterly installments, commencing on April 4, 2013 and on the same day of the month every three months thereafter.
- Subsequent to December 31, 2012, the Food Bank is no longer providing cluster transportation services for other food banks.
- Upon the completion of the capital campaign and renovation of their new office space, the Food Bank expects to move into their new building during 2013.

No events occurring after June 14, 2013 have been evaluated for inclusion in these financial statements.