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**THE GREATER BATON ROUGE FOOD BANK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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A Professional Accounting Corporation

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**THE GREATER BATON ROUGE FOOD BANK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Greater Baton Rouge Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010, on our consideration of The Greater Baton Rouge Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 15, 2010

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

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

**ASSETS**

	2009	2008
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 1,677,626	\$ 2,203,028
Certificates of deposits	212,896	210,092
Accounts receivable, net of allowances for doubtful accounts of \$6,700 and \$0 in 2009 and 2008	132,158	62,569
Unconditional promises to give	325,498	233,777
Promise to give - United Way	100,000	77,961
Prepaid expenses	-	18,431
Food inventory - donated and purchased	1,756,215	1,769,956
Food inventory - commodities	209,030	111,463
Total current assets	4,413,423	4,687,277
<b><u>PROPERTY AND EQUIPMENT</u></b>		
Land	500,000	60,000
Building and building improvements	6,680,574	1,670,574
Vehicles	233,145	149,523
Furniture, fixtures, and equipment	314,019	266,772
	7,727,738	2,146,869
Less: Accumulated depreciation	(1,196,152)	(983,932)
	6,531,586	1,162,937
<b><u>OTHER ASSETS</u></b>		
Investments - restricted (footnote 15)	644,490	541,043
Long-term portion of unconditional promises to give	290,173	313,726
Total other assets	934,663	854,769
Total assets	\$ 11,879,672	\$ 6,704,983

The accompanying notes are an integral part of these statements.

**LIABILITIES AND NET ASSETS**

	<u>2009</u>	<u>2008</u>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 68,151	\$ 14,063
Accrued expenses and other liabilities	26,538	16,162
Note payable - current portion	500,000	-
Total current liabilities	<u>594,689</u>	<u>30,225</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Note payable - less current portion	<u>2,250,000</u>	-
Total long-term liabilities	<u>2,250,000</u>	-
Total liabilities	2,844,689	30,225
<b><u>NET ASSETS</u></b>		
Unrestricted	6,609,636	3,905,574
Temporarily restricted	1,935,413	2,317,357
Permanently restricted	489,934	451,827
Total net assets	<u>9,034,983</u>	<u>6,674,758</u>
Total liabilities and net assets	<u>\$ 11,879,672</u>	<u>\$ 6,704,983</u>

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

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>REVENUES AND OTHER SUPPORT</u></b>				
Contributions	\$ 1,176,813	\$ 456,740	\$ 38,107	\$ 1,671,660
United Way	100,000	100,000	-	200,000
Special events	147,639	-	-	147,639
FEMA	69,847	-	-	69,847
Donated services and gifts in kind	2,389,259	-	-	2,389,259
America's Second Harvest	1,200	-	-	1,200
Grant revenues	137,246	36,039	-	173,285
Local government support	35,000	-	-	35,000
USDA commodities reimbursements	318,350	-	-	318,350
Investment gains (losses)	71,280	-	-	71,280
Food donations received	12,399,759	-	-	12,399,759
Commodities received	2,162,182	-	-	2,162,182
Cluster transportation	62,430	-	-	62,430
Other	18,446	-	-	18,446
Total revenues	19,089,451	592,779	38,107	19,720,337
Net assets released from restrictions				
Satisfaction of purpose of restrictions	974,723	(974,723)	-	-
Total revenues	20,064,174	(381,944)	38,107	19,720,337
<b><u>EXPENSES</u></b>				
Program	16,803,732	-	-	16,803,732
Administration	131,995	-	-	131,995
Fundraising	424,385	-	-	424,385
Total expenses	17,360,112	-	-	17,360,112
<b><u>CHANGE IN NET ASSETS</u></b>	2,704,062	(381,944)	38,107	2,360,225
Net assets, beginning of period	3,905,574	2,317,357	451,827	6,674,758
Net assets, end of period	\$ 6,609,636	\$ 1,935,413	\$ 489,934	\$ 9,034,983

The accompanying notes are an integral part of these statements.

2008

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 777,503	\$ 2,163,399	\$ 44,555	\$ 2,985,457
77,962	77,961	-	155,923
108,389	-	-	108,389
40,207	-	-	40,207
60,932	-	-	60,932
156,118	15,885	-	172,003
198,700	136,000	-	334,700
98,226	-	-	98,226
211,832	-	-	211,832
(110,904)	-	-	(110,904)
13,907,758	-	-	13,907,758
1,004,175	-	-	1,004,175
90,759	-	-	90,759
11,658	-	-	11,658
<u>16,633,315</u>	<u>2,393,245</u>	<u>44,555</u>	<u>19,071,115</u>
364,250	(364,250)	-	-
<u>16,997,565</u>	<u>2,028,995</u>	<u>44,555</u>	<u>19,071,115</u>
17,989,642	-	-	17,989,642
103,259	-	-	103,259
359,164	-	-	359,164
<u>18,452,065</u>	<u>-</u>	<u>-</u>	<u>18,452,065</u>
(1,454,500)	2,028,995	44,555	619,050
5,360,074	288,362	407,272	6,055,708
<u>\$ 3,905,574</u>	<u>\$ 2,317,357</u>	<u>\$ 451,827</u>	<u>\$ 6,674,758</u>

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

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 31,015	\$ -	\$ 31,015
Advertising	31,176	-	1,990	33,166
Bad debt expense	9,398	-	-	9,398
Capital campaign	108,375	-	48,774	157,149
Cluster transportation	67,190	-	-	67,190
Cold storage	5,330	-	-	5,330
Conferences	7,474	-	-	7,474
Depreciation	219,248	-	-	219,248
Direct mail expense	-	-	167,791	167,791
Distribution of commodities	2,064,615	-	-	2,064,615
Distribution of donated food	12,520,949	-	-	12,520,949
Dues	19,008	-	1,213	20,221
Food purchases with FEMA revenue	69,847	-	-	69,847
Fuel and mileage	50,264	1,604	1,604	53,472
In-kind expense	105,637	-	-	105,637
Insurance	228,074	-	-	228,074
Interest expense	-	61,912	-	61,912
Investment fees and expenses	4,683	-	-	4,683
Miscellaneous expense	61,599	-	2,567	64,166
Payroll taxes	63,130	2,255	9,770	75,155
Postage	8,791	-	17,847	26,638
Printing and publication	12,902	-	18,567	31,469
Repairs and maintenance	70,978	-	-	70,978
Retirement	12,772	456	1,977	15,205
Salaries	794,090	28,360	122,895	945,345
Special event expense	-	-	25,226	25,226
Supplies	13,954	3,489	-	17,443
Telephone	9,091	2,273	3,788	15,152
Transportation	85,964	-	-	85,964
Utilities	39,231	396	-	39,627
Vehicle leases	89,583	-	-	89,583
Volunteer program	7,142	-	376	7,518
Waste disposal	23,237	235	-	23,472
	<b>\$ 16,803,732</b>	<b>\$ 131,995</b>	<b>\$ 424,385</b>	<b>\$ 17,360,112</b>

The accompanying notes are an integral part of these statements.

## 2008

Program	Administration	Fundraising	Total
\$ -	\$ 21,739	\$ -	\$ 21,739
43,560	-	2,780	46,340
-	-	-	-
-	43,084	-	43,084
90,759	-	-	90,759
4,726	-	-	4,726
8,431	-	-	8,431
153,198	-	-	153,198
-	-	148,253	148,253
947,552	-	-	947,552
15,134,824	-	-	15,134,824
17,985	-	1,148	19,133
40,207	-	-	40,207
73,261	2,338	2,338	77,937
60,932	-	-	60,932
183,302	-	-	183,302
-	-	-	-
5,290	-	-	5,290
46,792	-	1,950	48,742
60,183	2,149	9,314	71,646
6,541	-	13,279	19,820
8,766	-	12,614	21,380
108,551	-	-	108,551
13,348	477	2,066	15,891
744,575	26,592	115,232	886,399
-	-	46,777	46,777
16,681	4,170	-	20,851
7,186	1,796	2,994	11,976
52,297	-	-	52,297
59,768	604	-	60,372
62,326	-	-	62,326
7,960	-	419	8,379
30,641	310	-	30,951
<u>\$ 17,989,642</u>	<u>\$ 103,259</u>	<u>\$ 359,164</u>	<u>\$ 18,452,065</u>

**THE GREATER BATON ROUGE FOOD BANK**  
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**BATON ROUGE, LOUISIANA**

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 2,360,225	\$ 619,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(38,107)	(44,555)
Bad debt expense	9,398	-
Depreciation	219,248	153,198
Unrealized depreciation (appreciation) of investments	(60,775)	151,510
Donated inventory and other assets	(2,186,259)	1,018,238
Net change in:		
Accounts receivable	(78,987)	6,863
Unconditional promises to give	(68,168)	(547,503)
Promise to give - United Way	(22,039)	(6,033)
Prepaid expenses	18,431	11,292
Commodities inventory	(97,567)	(56,623)
Accounts payable	54,088	(13,751)
Accrued expenses and other liabilities	10,376	3,673
Net cash provided by operating activities	119,864	1,295,359
 <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Expenditures for property and equipment	(637,897)	(71,782)
Purchase of investments	(45,476)	(56,734)
Net cash used in investing activities	(683,373)	(128,516)
 <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Permanently restricted contributions	38,107	44,555
Net cash provided by financing activities	38,107	44,555
 Net change in cash and cash equivalents	(525,402)	1,211,398
 Cash and cash equivalents at beginning of year	2,203,028	991,630
 Cash and cash equivalents at end of year	\$ 1,677,626	\$ 2,203,028
 <b><u>Supplemental disclosure:</u></b>		
Interest paid	\$ 54,397	\$ -

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 (Food Bank) 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.

**Revenue Recognition and Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**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)

Grants for fee income are recorded as unrestricted net assets in the Statements of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statements of Activities. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released on the Statements of Activities.

**Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes on related income has been included in the financial statements.

On January 1, 2009, the Food Bank adopted the recent accounting guidance related to accounting for uncertain tax positions. 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, 2006.

**Food Inventory - Donated and Purchased**

Food inventory, predominately donated, is reported at fair value as determined by pricing guidelines produced by *America's Second Harvest*. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines.

**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.

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**NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

At December 31, 2009, the Food Bank's cash accounts were completely collateralized and/or insured. Additionally, \$398,831 was held in a U.S. Treasury money market fund by a financial institution.

**Accounts Receivable**

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist primarily of amounts due related to the Cluster Transportation and various grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful. As of December 31, 2009 and 2008, the allowance for uncollectable receivables was \$6,700 and \$0, respectively. No interest is charged on past-due accounts.

**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 \$106,000 and \$61,000 for the years ended December 31, 2009 and 2008, respectively. The Food Bank also received a building that was partially donated during 2009 worth \$2.2 million. See Note 6.

**Reclassification**

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

**Recent Accounting Pronouncements**

Effective July 1, 2009, the Food Bank adopted new accounting guidance related to U.S. GAAP. This guidance establishes FASB ASC as the source of authoritative U.S. GAAP recognized by FASB to be applied by nongovernmental entities. FASB will no longer issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and

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**NOTES TO FINANCIAL STATEMENTS**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Recent Accounting Pronouncements** (continued)

provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP. This guidance is effective for the Food Bank as of December 31, 2009.

2. **TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2009</u>	<u>2008</u>
Bucks for Trucks Program	\$ 7,481	\$ 82,709
Back Pack Program	25,000	14,698
Capital Campaign	1,802,932	2,141,989
United Way Promise to Give	<u>100,000</u>	<u>77,961</u>
	<u>\$ 1,935,413</u>	<u>\$ 2,317,357</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.

3. **PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2009</u>	<u>2008</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 489,934</u>	<u>\$ 451,827</u>

4. **DONATED FOOD AND SERVICES**

The Food Bank's operations consist primarily of receiving, storing, and redistributing donated and purchased food to the needy through eligible organizations. Donated food is recorded in the accompanying financial statements as unrestricted revenue at its estimated value. The estimated value at December 31, 2009 and 2008 was \$1.58 and \$1.49 per pound, respectively. Also, volunteers assist in the operations of the Food Bank. The cost of volunteer services does not meet the criteria for recognition and is not reflected in the accompanying financial statements.

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**NOTES TO FINANCIAL STATEMENTS**

**4. DONATED FOOD AND SERVICES (continued)**

Activity of food inventory is summarized as follows:

	<u>2009</u>	<u>2008</u>
Food inventory, beginning of year	\$ 1,769,956	\$ 2,788,194
Food donations received	12,399,759	13,907,758
Food purchases	177,296	249,035
Distributed, discarded, and adjustment	( 12,590,796)	( 15,175,031)
Food inventory, end of year	<u>\$ 1,756,215</u>	<u>\$ 1,769,956</u>

**5. USDA COMMODITIES**

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2009 and 2008. 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 cost.

Activity of commodities is summarized as follows:

	<u>2009</u>	<u>2008</u>
Commodity inventory at beginning of year	\$ 111,463	\$ 54,840
Food commodities received	2,162,182	1,004,175
Distributed, discarded, and adjustment	( 2,064,615)	( 947,552)
Commodity inventory at end of year	<u>\$ 209,030</u>	<u>\$ 111,463</u>

**6. NOTE 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 is approximately \$5,450,000. The interest rate at December 31, 2009 was 4.75%. The Food Bank will begin making payments on this debt on July 1, 2010.

A summary of long-term debt at December 31, 2009 is as follows:

	<u>2009</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; unsecured.	\$ 2,750,000
Less: current maturities	( 500,000)
Long-term debt - net of current maturities	<u>\$ 2,250,000</u>

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**NOTES TO FINANCIAL STATEMENTS**

**6. NOTE PAYABLE** (continued)

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 500,000	\$ 130,625	\$ 630,625
2011	500,000	106,875	606,875
2012	<u>1,750,000</u>	<u>83,125</u>	<u>1,833,125</u>
	<u>\$ 2,750,000</u>	<u>\$ 320,625</u>	<u>\$ 3,070,625</u>

**7. CLUSTER TRANSPORTATION**

The Food Bank assumed the responsibility as the cluster head for various food banks. Other Food Banks in the cluster for 2009 and 2008 were the Food Bank of Central Louisiana and the Food Banks of Northeast and Northwest Louisiana. Effective 2009, New Orleans is no longer participating in the cluster. As the head of the cluster itself, 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.

**8. VEHICLE LEASES**

The Food Bank began leasing delivery trucks for food distribution in December of 2006. An additional lease was entered into in May of 2007. The terms of the lease require annual rental payments of approximately \$62,000 for the next three years, \$21,912 in 2013, and a final payment of \$5,765 in 2014. Rental expense for the leases was \$62,920 and \$62,326 for the years ended December 31, 2009 and 2008.

**9. 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 \$15,205 and \$15,891 to this Plan during the years ended December 31, 2009 and 2008, respectively.

**10. INVESTMENT INCOME**

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

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**10. INVESTMENT INCOME** (continued)

Investment income on investments was comprised of the following:

	<u>2009</u>	<u>2008</u>
Net unrealized gains (losses) on endowment fund	\$ 60,775	(\$ 151,510)
Dividend and interest	<u>10,505</u>	<u>40,606</u>
	<u>\$ 71,280</u>	<u>(\$ 110,904)</u>

**11. 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. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

**12. 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.

**13. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fair Value Measurements and Disclosure topic of FASB ASC, requires disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial position. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments from its disclosure requirements. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Food Bank.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Food Bank groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

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**13. FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

**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 and liabilities that are measured at fair value on a recurring basis at December 31, 2009 and 2008.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments – Restricted at December 31, 2009	\$ _____ -	\$ 644,490	\$ _____ -
Investments - Restricted at December 31, 2008	\$ _____ -	\$ 541,043	\$ _____ -

**14. UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at December 31, 2009 are as follows:

Receivable in less than one year	\$ 340,206
Receivable in one to five years	303,290
Total unconditional promises to give	643,496
Less: Discounts to net present value	( 27,825)
Net unconditional promises to give	<u>\$ 615,671</u>

The discount rate used on the valuation of long-term promises to give was 4.33% and 4.32% for the years ended December 31, 2009 and 2008, respectively, the rate of return of the 30 year U.S. Treasury Bill.

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**15. ENDOWMENT NET ASSETS**

The primary objective of the Food Bank's investment and spending policies for its endowed assets was 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 is not effective until July 1, 2010. Upon implementation, the Food Bank will classify 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.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Food Bank in a manner consistent with the standard of prudence described by UPMIFA. As of December 31, 2009 and 2008, 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, 2009 and 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2009	\$ <u>154,556</u>	\$ <u>-</u>	\$ <u>489,934</u>	\$ <u>644,490</u>
Donor-Restricted Endowment as of December 31, 2008	\$ <u>89,216</u>	\$ <u>-</u>	\$ <u>451,827</u>	\$ <u>541,043</u>

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**15. ENDOWMENT NET ASSETS** (continued)

Changes in endowment net assets were as follows as of December 31, 2009 and 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2008	\$ 89,216	\$ -	\$ 451,827	\$ 541,043
Investment Return:				
Investment income	4,565	-	-	4,565
Net appreciation (depreciation)	60,775	-	-	60,775
Contributions	-	-	38,107	38,107
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, December 31, 2009	<u>\$ 154,556</u>	<u>\$ -</u>	<u>\$ 489,934</u>	<u>\$ 644,490</u>

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**15. ENDOWMENT NET ASSETS** (continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2007	\$ 232,284	\$ -	\$ 407,272	\$ 639,556
Investment Return:				
Investment income	8,442	-	-	8,442
Net appreciation (depreciation)	(151,510)	-	-	(151,510)
Contributions	-	-	44,555	44,555
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2008	<u>\$ 89,216</u>	<u>\$ -</u>	<u>\$ 451,827</u>	<u>\$ 541,043</u>

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, until the implementation of UPMIFA, 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 (BRAFF). 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 \$644,490 and \$541,043 as of December 31, 2009 and 2008, respectively, are recorded at their fair values. The investments are primarily composed of mutual funds.

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**16. HURRICANE GUSTAV**

During August and September 2008, the Baton Rouge Area was hit by Hurricane Gustav causing power outages for eleven days at the Food Bank headquarters. During the eleven days the Food Bank operated on generator power. Additionally, tremendous damage occurred throughout the Baton Rouge Area. For the first two weeks after Hurricane Gustav and for some period of time afterwards, donations, both cash and food, were at a virtual standstill. This attributed to the decline in food donations and distributions in 2008.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 15, 2010, and determined that there were no events that would require disclosure.