
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2014



A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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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, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2014 and 2013, 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.

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 – Act 706 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 10, 2015, 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.

Pestlethwaite ; Netterville

Baton Rouge, Louisiana
June 10, 2015

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,718,040	\$ 1,718,209
Restricted cash	198,073	1,342,829
Accounts receivable	14,813	100,600
Prepaid insurance	4,874	20,220
Unconditional promises to give	427,606	753,995
Promise to give - United Way	152,500	152,500
Food inventory - donated and purchased	1,173,926	1,224,636
Food inventory - commodities	96,309	52,739
Total current assets	4,786,141	5,365,728
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	11,180,510	6,696,469
Construction in process	347,117	6,044,686
Vehicles	346,421	194,658
Furniture, fixtures, and equipment	427,703	163,421
	12,801,751	13,599,234
Less: Accumulated depreciation	(1,426,142)	(1,953,816)
	11,375,609	11,645,418
<u>OTHER ASSETS</u>		
Investments - restricted (footnote 13)	1,197,807	1,067,239
Long-term portion of unconditional promises to give	31,814	210,535
Total other assets	1,229,621	1,277,774
Total assets	\$ 17,391,371	\$ 18,288,920

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 2,246,470	\$ 170,536	\$ 70,519	\$ 2,487,525
United Way	152,500	152,500	-	305,000
Special events	83,555	-	-	83,555
FEMA	34,954	-	-	34,954
Donated services and gifts in kind	241,267	-	-	241,267
Grant revenues	58,706	195,646	-	254,352
Local government support	34,500	-	-	34,500
SNAP Outreach	21,638	-	-	21,638
USDA commodities reimbursements	205,355	-	-	205,355
Investment income	60,567	-	-	60,567
Food donations received	14,332,387	-	-	14,332,387
Commodities received	1,487,483	-	-	1,487,483
Forgiveness of debt	100,000	-	-	100,000
Gain on sale of assets	34,048	-	-	34,048
Other	21,152	-	-	21,152
Total revenues	19,114,582	518,682	70,519	19,703,783
Net assets released from restrictions				
Satisfaction of purpose of restrictions	2,048,450	(2,048,450)	-	-
Total revenues	21,163,032	(1,529,768)	70,519	19,703,783
 <u>EXPENSES</u>				
Program	18,857,755	-	-	18,857,755
Administration	265,379	-	-	265,379
Fundraising	657,804	-	-	657,804
Total expenses	19,780,938	-	-	19,780,938
<u>CHANGE IN NET ASSETS</u>	1,382,094	(1,529,768)	70,519	(77,155)
Net assets - beginning of period	9,920,916	3,074,013	760,162	13,755,091
Net assets - end of period	\$ 11,303,010	\$ 1,544,245	\$ 830,681	\$ 13,677,936

The accompanying notes are an integral part of these statements.

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,095,326	\$ 926,657	\$ 81,216	\$ 3,103,199
152,500	152,500	-	305,000
61,220	-	-	61,220
22	-	-	22
126,503	-	-	126,503
55,106	403,725	-	458,831
31,300	-	-	31,300
27,352	-	-	27,352
163,056	-	-	163,056
97,397	-	-	97,397
14,723,187	-	-	14,723,187
1,783,665	-	-	1,783,665
-	-	-	-
-	-	-	-
86,890	-	-	86,890
<u>19,403,524</u>	<u>1,482,882</u>	<u>81,216</u>	<u>20,967,622</u>
1,138,977	(1,138,977)	-	-
<u>20,542,501</u>	<u>343,905</u>	<u>81,216</u>	<u>20,967,622</u>
19,575,966	-	-	19,575,966
211,345	-	-	211,345
773,602	-	-	773,602
<u>20,560,913</u>	<u>-</u>	<u>-</u>	<u>20,560,913</u>
(18,412)	343,905	81,216	406,709
<u>9,939,328</u>	<u>2,730,108</u>	<u>678,946</u>	<u>13,348,382</u>
<u>\$ 9,920,916</u>	<u>\$ 3,074,013</u>	<u>\$ 760,162</u>	<u>\$ 13,755,091</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2014 AND 2013

2014

	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 56,213	\$ 18,738	\$ 74,951
Advertising	11,963	-	764	12,727
Write down of pledges	-	-	9,765	9,765
Capital Campaign	-	-	80,258	80,258
Cold storage	2,020	-	-	2,020
Conferences	10,729	224	224	11,177
Contract labor	139,322	17,415	17,415	174,152
Depreciation	386,390	-	-	386,390
Direct mail expense	-	-	262,227	262,227
Distribution of commodities	1,443,913	-	-	1,443,913
Distribution of donated food	14,702,886	-	-	14,702,886
Dues	14,301	1,682	5,047	21,030
Food purchases with FEMA revenue	33,029	-	-	33,029
Fuel and mileage	95,943	3,062	3,062	102,067
In-kind expense	55,242	-	-	55,242
Insurance	316,267	-	-	316,267
Interest expense	107,937	3,445	3,445	114,827
Investment fees and expenses	29,201	-	-	29,201
Loss on disposal of assets	-	-	-	-
Equipment	11,100	-	-	11,100
Miscellaneous expense	43,884	448	448	44,780
Payroll taxes	59,680	12,109	14,704	86,493
Postage	23,119	1,445	4,335	28,899
Printing and publication	22,788	1,424	4,273	28,485
Repairs and maintenance	83,183	-	-	83,183
Retirement	19,294	3,915	4,754	27,963
Salaries	769,458	156,122	189,577	1,115,157
Service contracts	22,206	-	-	22,206
Special event expense	-	-	26,714	26,714
Supplies	32,687	2,043	6,129	40,859
Telephone	18,916	2,365	2,365	23,646
Transportation	62,968	-	-	62,968
Training	2,336	343	436	3,115
Utilities	131,271	2,735	2,735	136,741
Vehicle leases	162,030	-	-	162,030
Volunteer program	5,531	-	-	5,531
Waste disposal	38,161	389	389	38,939
	<u>\$ 18,857,755</u>	<u>\$ 265,379</u>	<u>\$ 657,804</u>	<u>\$ 19,780,938</u>

The accompanying notes are an integral part of these statements.

2013

<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ 50,550	\$ 16,850	\$ 67,400
17,061	-	1,089	18,150
306	-	-	306
-	-	155,904	155,904
6,580	-	-	6,580
17,377	362	362	18,101
54,090	6,761	6,761	67,612
249,471	-	-	249,471
-	-	357,164	357,164
1,893,737	-	-	1,893,737
15,290,955	-	-	15,290,955
17,109	2,013	6,038	25,160
22	-	-	22
105,016	3,352	3,352	111,720
126,503	-	-	126,503
268,429	-	-	268,429
20,999	-	-	20,999
29,717	-	-	29,717
21,367	-	-	21,367
11,507	-	-	11,507
54,242	554	554	55,350
66,563	9,895	13,493	89,951
23,172	1,448	4,345	28,965
23,730	1,483	4,449	29,662
52,543	-	-	52,543
20,454	3,040	4,146	27,640
850,736	126,461	172,446	1,149,643
17,629	-	-	17,629
-	-	18,090	18,090
25,929	1,621	4,862	32,412
17,162	2,145	2,145	21,452
59,380	-	-	59,380
2,682	501	393	3,576
48,378	494	494	49,366
112,729	-	-	112,729
5,268	-	-	5,268
65,123	665	665	66,453
<u>\$ 19,575,966</u>	<u>\$ 211,345</u>	<u>\$ 773,602</u>	<u>\$ 20,560,913</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (77,155)	\$ 406,709
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(70,519)	(81,216)
Write down of pledges	9,765	306
Depreciation	386,390	249,471
(Gain) loss on disposal of equipment	(34,048)	21,367
Forgiveness of debt	(100,000)	-
Unrealized appreciation of investments	(37,924)	(77,767)
Donated inventory, net	50,710	378,740
Net change in:		
Accounts receivable	85,787	(2,308)
Prepaid insurance	15,346	(8,449)
Net present value discount on unconditional promises to give	(20,717)	(24,044)
Promise to give - United Way	-	(15,000)
Commodities inventory	(43,570)	110,072
Accrued interest payable	(9,792)	15,566
Accounts payable	(96,903)	3,972
Accrued expenses and other liabilities	1,838	17,672
Net cash provided by operating activities	59,208	995,091
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(423,942)	(1,506,797)
Proceeds from sale of building	523,980	-
Purchase of investments	(92,644)	(77,701)
Net cash provided by (used in) investing activities	7,394	(1,584,498)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from lines of credit	-	18,995
Unconditional promises to give	516,062	586,451
Permanently restricted contributions	70,519	81,216
Principal payments on notes payable	(807,553)	(54,456)
Imputed interest on forgivable debt	9,445	-
Net cash provided by (used in) financing activities	(211,527)	632,206
Net change in cash and cash equivalents	(144,925)	42,799
Cash and cash equivalents at beginning of year	3,061,038	3,018,239
Cash and cash equivalents at end of year	\$ 2,916,113	\$ 3,061,038
<u>Supplemental disclosure:</u>		
Schedule of Noncash Investing and Financing Transactions		
Construction in process	604,068	3,711,560
Notes payable	(604,068)	(3,711,560)
	-	-
Interest paid	\$ 114,480	\$ 5,433

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, 2014 or 2013.

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 \$0 and approximately \$16,000 for the years ended December 31, 2014 and 2013, respectively, 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. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2014 or 2013.

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.

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, 2014 and 2013, was \$1.72 and \$1.69 per pound, respectively. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically during the year. MRE's are valued using available market prices (fair value) for meals with a similar test by date. The average fair value at December 31, 2014 and 2013 was \$47 and \$54, 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 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, 2014 or 2013.

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 \$241,000 and \$126,000 for the years ended December 31, 2014 and 2013, respectively. The amount at December 31, 2014 consisted mainly of donated architect fees of \$174,000 and donated advertisements of \$29,000. The amount at December 31, 2013 consisted mainly of donated advertisements of \$73,400.

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>2014</u>	<u>2013</u>
Bucks for Trucks Program	\$ 60,216	\$ 50,109
Back Pack Program	47,098	109,036
Capital Campaign	1,245,817	2,652,499
United Way Promise to Give – general and administration	152,500	135,000
United Way Promise to Give - backpack	-	17,500
Estate of Elizabeth Ferro - Garden	20,000	20,000
Mosaic Grant - Truck Purchase	18,114	76,917
Food Purchases	-	7,352
Adopt a Senior	-	5,600
Tables for Sorting Area	500	-
	<u>\$ 1,544,245</u>	<u>\$ 3,074,013</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 \$1,511,910; Bucks for Trucks Program of \$61,318; Back Pack Program of \$155,583; Food Purchases \$71,225; Mosaic Grant -Truck Purchase \$58,804; and United Way of \$152,500 were the primary funds released from restrictions during 2014.

Capital Campaign funds of \$739,616; Bucks for Trucks of \$46,256; Back Pack Program of \$101,737; United Way of \$137,500; Food Purchases of \$57,195; and Mosaic Grant- Truck Purchase of \$48,083 were the primary funds released from restrictions during 2013.

During the year ended December 31, 2014, the Board designated \$140,000 from the sale of the old building as part of a match for a Capital Campaign Grant.

3. PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>\$ 830,681</u>	<u>\$ 760,162</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, 2014 and 2013. 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>2014</u>	<u>2013</u>
Commodity inventory at beginning of year	\$ 52,739	\$ 162,811
Food commodities received	1,487,483	1,783,665
Distributed, discarded, and adjustment	(1,443,913)	(1,893,737)
Commodity inventory at end of year	<u>\$ 96,309</u>	<u>\$ 52,739</u>

5. NOTES PAYABLE

On April 22, 2010, the Food Bank purchased a forklift for \$23,700 and financed it through Toyota Financial Services. The interest rate is 6.10%. The Food Bank began making payments in 2010. The note was refinanced as lease-to-own for \$18,995 in September 2013. The interest rate is 4.3%. The note matures in August 2016.

The Organization received \$500,000 as part of a loan agreement with the Office of Community Development during the year ended December 31, 2013 which was used for the rehabilitation of the new office and warehouse. This is a principal only loan with a term of 5 years fixed amortization. Beginning in 2014, the loan will be forgiven upon annual verification of compliance as to the occupancy and the use of the property to benefit low to moderate income individuals. An amount equal to one fifth of the total amount of this loan will be forgiven annually. During the year ended December 31, 2014, \$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%. The present value of the note payable was \$405,545 and \$9,445 was recorded as interest for the year ended 2014. 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. Delay of contract finalization and execution between counsel for the Food Bank and counsel for the City Parish of East Baton Rouge delayed establishment of the repayment process. No payments were made during the year ended December 31, 2014.

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

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

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

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 was a bridge loan in the event the Food Bank experienced 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 could be converted to a term loan in the amount of the lesser of \$4,000,000 or 75% of the appraised value of the project. The notes originally matured on October 4, 2013 but the maturity dates were extended into 2014 at which point the loans were converted to term notes. The notes bear interest at the rate of LIBOR plus 3.250%, which was 3.42% as of December 31, 2013, payable in quarterly installments, commencing on April 4, 2013 and on the same day of the month every three months thereafter. The outstanding balance of the loans was \$2,711,560 as of December 31, 2013. The construction loan was paid in full in August 2014 at the point when the debt was refinanced by another lender in the amount of \$2,555,997.

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

	2014	2013
Toyota Financial Services, 3 years at 6.10% from January 2013 through September 2013 and 4.3% from September 2013 through maturity; requiring monthly payments of \$563 plus interest due August 2016; secured by forklift.	\$ 10,438	\$ 17,199
Construction loans with Capital One bank; bear interest at LIBOR Plus 3.25% interest through maturity in 2014; interest payable in quarterly installments commencing on April 4, 2013 and due on the same day of the month every three months thereafter	-	2,711,560
Loan with Bancorp South; 180 monthly payments of \$18,967 at 4% interest; balloon payment in the amount of \$1,572,245 due August 5, 2021; secured by the building	2,514,836	-
Community Development Block Grant (CDBG) repayable loan; 10 years at 0%; secured by the building	415,000	500,000
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building	400,000	500,000
Subtotal	3,340,274	3,728,759
Less: current portion	(158,931)	(2,755,206)
Long term debt- net of maturities	\$ 3,181,343	\$ 973,553

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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The notes are expected to mature as follows:

<u>Year ending December 31st</u>	<u>Amount</u>
2015	\$ 158,931
2016	177,531
2017	179,616
2018	585,346
2019	191,312
Thereafter	<u>2,047,538</u>
	<u>\$ 3,340,274</u>

6. VEHICLE LEASES

The Food Bank began leasing delivery trucks for food distribution in December of 2006. Three additional leases were entered into in October of 2013. However, the trucks were not put into service until May 2014. The Food Bank has three leases in total at December 31, 2014. The terms of the leases require annual rental payments as follows:

2015	\$ 54,444
2016	54,444
2017	54,444
2018	54,444
2019	54,444
Thereafter	<u>63,910</u>
	<u>\$ 336,130</u>

Rental expense for the leases was \$54,444 and \$62,493 for the years ended December 31, 2014 and 2013, respectively.

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 \$27,963 and \$27,640 to this Plan during the years ended December 31, 2014 and 2013, respectively.

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NOTES TO FINANCIAL STATEMENTS

8. INVESTMENT INCOME

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

Investment income on investments was comprised of the following:

	<u>2014</u>	<u>2013</u>
Net unrealized gains on endowment fund	\$ 37,924	\$ 77,767
Dividend and interest	<u>22,643</u>	<u>19,630</u>
	<u>\$ 60,567</u>	<u>\$ 97,397</u>

9. 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.

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. 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.

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NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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, 2014 and 2013.

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

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

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2014 and 2013.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2014	\$ -	\$ 1,197,807	\$ -
Pooled Investments at December 31, 2013	\$ -	\$ 1,067,239	\$ -

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NOTES TO FINANCIAL STATEMENTS

12. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2014 are as follows:

Receivable in less than one year	\$ 442,930
Receivable in one to five years	<u>32,750</u>
Total unconditional promises to give	475,680
Less: Discount to net present value	<u>(16,260)</u>
Net unconditional promises to give	<u>\$ 459,420</u>

The discount rate used on the valuation of long-term promises to give was 2.61% and 3.49% for the year ended December 31, 2014 and 2013, respectively, the rate of return of the 30 year U.S. Treasury Bill.

The scheduled payments on promises to give are as follows:

2015	\$ 427,606
2016	16,380
2017	13,063
2018	<u>2,371</u>
	<u>\$ 459,420</u>

During the years ended December 31, 2014 and 2013, \$9,765 and \$306, respectively was written off related to reduction in pledges.

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.

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NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

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 (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 \$1,197,807 and \$1,067,239 as of December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2014	\$ 367,126	\$ -	\$ 830,681	\$ 1,197,807
Donor-Restricted Endowment as of December 31, 2013	\$ 307,077	\$ -	\$ 760,162	\$ 1,067,239

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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 years ended December 31, 2014 and 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2013	\$ 307,077	\$ -	\$ 760,162	\$ 1,067,239
Investment Return:				
Investment gain	22,125	-	-	22,125
Net appreciation	37,924	-	-	37,924
Contributions	-	-	70,519	70,519
Endowment net assets, December 31, 2014	<u>\$ 367,126</u>	<u>\$ -</u>	<u>\$ 830,681</u>	<u>\$ 1,197,807</u>

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

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NOTES TO FINANCIAL STATEMENTS

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 10, 2015, and determined that the following items require additional disclosure.

- The Food Bank was approved for a grant from the Governor's Office of Homeland Security and Emergency Preparedness. The total funds available are \$650,000 for the purchase of a generator. The grant requires a 25% non-federal cost share match which the Food Bank will be responsible for. The Food Bank is in the process of obtaining their portion of the match.

No events occurring after June 10, 2015 have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2014

Chief Executive Officer: Michael G. Manning

Purpose	Amount
Salary, including incentive and bonus	\$ 138,185
Benefits-insurance	882
Benefits-retirement	5,017
Deferred compensation	-
Benefits-other	2,657
Car allowance	-
Vehicle provided by government	-
Cell phone	2,177
Dues	2,051
Vehicle rental	-
Per diem	-
Reimbursements	6,473
Travel	-
Registration fees	-
Conference travel	3,976
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-