
THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2008



A Professional Accounting Corporation

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FINANCIAL STATEMENTS

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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, 2008 and 2007, 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, 2008 and 2007, 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 3, 2009, 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 3, 2009

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,203,028	\$ 991,630
Certificates of deposits	210,092	206,355
Accounts receivable	62,569	56,535
Unconditional promises to give	233,777	-
Promise to give - United Way	77,961	84,824
Prepaid expenses	18,431	29,723
Food inventory - donated and purchased	1,769,956	2,788,194
Food inventory - commodities	111,463	54,840
Total current assets	4,687,277	4,212,101
<u>LONG-TERM PORTION OF UNCONDITIONAL PROMISES TO GIVE</u>		
	313,726	-
<u>PROPERTY AND EQUIPMENT</u>		
Land	60,000	60,000
Building and building improvements	1,670,574	1,598,793
Vehicles	149,523	192,773
Furniture, fixtures, and equipment	266,772	266,772
	2,146,869	2,118,338
Less: Accumulated depreciation	(983,932)	(873,984)
	1,162,937	1,244,354
<u>OTHER ASSETS</u>		
Investments - restricted	541,043	639,556
	541,043	639,556
Total assets	\$ 6,704,983	\$ 6,096,011

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 14,063	\$ 27,814
Accrued expenses and other liabilities	16,162	12,489
Total current liabilities	<u>30,225</u>	<u>40,303</u>
 <u>NET ASSETS</u>		
Unrestricted	3,905,574	5,360,074
Temporarily restricted	2,317,357	288,362
Permanently restricted	451,827	407,272
Total net assets	<u>6,674,758</u>	<u>6,055,708</u>
Total liabilities and net assets	<u>\$ 6,704,983</u>	<u>\$ 6,096,011</u>

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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions	\$ 777,503	\$ 2,163,399	\$ 44,555	\$ 2,985,457
United Way	77,962	77,961	-	155,923
Special events	108,389	-	-	108,389
FEMA	40,207	-	-	40,207
Donated services and materials	60,932	-	-	60,932
America's Second Harvest	156,118	15,885	-	172,003
Grant revenues	198,700	136,000	-	334,700
Local government support	98,226	-	-	98,226
USDA commodities reimbursements	211,832	-	-	211,832
Investment (losses) gains	(110,904)	-	-	(110,904)
Food donations received	13,907,758	-	-	13,907,758
Commodities received	1,004,175	-	-	1,004,175
Cluster transportation	90,759	-	-	90,759
Other	11,658	-	-	11,658
Total revenues	16,633,315	2,393,245	44,555	19,071,115
Net assets released from restrictions				
Satisfaction of purpose of restrictions	364,250	(364,250)	-	-
Total revenues	16,997,565	2,028,995	44,555	19,071,115
<u>EXPENSES</u>				
Program	17,989,642	-	-	17,989,642
Administration	103,259	-	-	103,259
Fundraising	359,164	-	-	359,164
Total expenses	18,452,065	-	-	18,452,065
<u>CHANGE IN NET ASSETS</u>	(1,454,500)	2,028,995	44,555	619,050
Net assets, beginning of period	5,360,074	288,362	407,272	6,055,708
Net assets, end of period	\$ 3,905,574	\$ 2,317,357	\$ 451,827	\$ 6,674,758

The accompanying notes are an integral part of these statements.

2007

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 504,871	\$ 138,609	\$ 19,888	\$ 663,368
179,658	84,824	-	264,482
120,946	-	-	120,946
65,256	-	-	65,256
36,226	-	-	36,226
93,895	-	-	93,895
101,748	223,000	-	324,748
32,150	-	-	32,150
140,035	-	-	140,035
91,016	-	-	91,016
18,636,270	-	-	18,636,270
582,322	-	-	582,322
100,799	-	-	100,799
9,729	-	-	9,729
<u>20,694,921</u>	<u>446,433</u>	<u>19,888</u>	<u>21,161,242</u>
714,815	(714,815)	-	-
<u>21,409,736</u>	<u>(268,382)</u>	<u>19,888</u>	<u>21,161,242</u>
20,323,051	-	-	20,323,051
52,557	-	-	52,557
326,447	-	-	326,447
<u>20,702,055</u>	<u>-</u>	<u>-</u>	<u>20,702,055</u>
707,681	(268,382)	19,888	459,187
<u>4,652,393</u>	<u>556,744</u>	<u>387,384</u>	<u>5,596,521</u>
<u>\$ 5,360,074</u>	<u>\$ 288,362</u>	<u>\$ 407,272</u>	<u>\$ 6,055,708</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 21,739	\$ -	\$ 21,739
Advertising	43,560	-	2,780	46,340
Capital campaign	-	43,084	-	43,084
Cluster transportation	90,759	-	-	90,759
Cold storage	4,726	-	-	4,726
Conferences	8,431	-	-	8,431
Depreciation	153,198	-	-	153,198
Direct mail expense	-	-	148,253	148,253
Distribution of commodities	947,552	-	-	947,552
Distribution of donated food	15,175,031	-	-	15,175,031
Dues	17,985	-	1,148	19,133
Fuel and mileage	73,261	2,338	2,338	77,937
In-kind expense	60,932	-	-	60,932
Insurance	183,302	-	-	183,302
Investment fees and expenses	5,290	-	-	5,290
Miscellaneous expense	46,792	-	1,950	48,742
New program opportunities	-	-	-	-
Payroll taxes	60,183	2,149	9,314	71,646
Postage	6,541	-	13,279	19,820
Printing and publication	8,766	-	12,614	21,380
Repairs and maintenance	108,551	-	-	108,551
Retirement	13,348	477	2,066	15,891
Salaries	744,575	26,592	115,232	886,399
Special event expense	-	-	46,777	46,777
Supplies	16,681	4,170	-	20,851
Telephone	7,186	1,796	2,994	11,976
Transportation	52,297	-	-	52,297
Utilities	59,768	604	-	60,372
Vehicle leases	62,326	-	-	62,326
Volunteer program	7,960	-	419	8,379
Waste disposal	30,641	310	-	30,951
	\$ 17,989,642	\$ 103,259	\$ 359,164	\$ 18,452,065

The accompanying notes are an integral part of these statements.

2007

Program	Administration	Fundraising	Total
\$ -	\$ 18,057	\$ -	\$ 18,057
44,656	-	2,850	47,506
-	-	-	-
100,799	-	-	100,799
8,630	-	-	8,630
12,914	-	-	12,914
150,601	-	-	150,601
-	-	109,010	109,010
630,563	-	-	630,563
17,909,977	-	-	17,909,977
14,363	-	917	15,280
43,661	1,393	1,393	46,447
15,600	-	-	15,600
174,444	-	-	174,444
6,079	-	-	6,079
25,781	-	4,409	30,190
80,000	-	-	80,000
54,626	1,951	8,454	65,031
7,110	-	14,435	21,545
15,340	-	22,074	37,414
115,219	-	-	115,219
11,154	398	1,726	13,278
669,692	23,918	103,643	797,253
-	-	54,046	54,046
16,382	4,095	-	20,477
7,412	1,853	3,088	12,353
56,578	-	-	56,578
53,146	537	-	53,683
55,553	-	-	55,553
7,639	-	402	8,041
35,132	355	-	35,487
<u>\$ 20,323,051</u>	<u>\$ 52,557</u>	<u>\$ 326,447</u>	<u>\$ 20,702,055</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 619,050	\$ 459,187
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	153,198	150,601
Unrealized depreciation (appreciation) of investments	151,510	(22,458)
Donated inventory and other assets	1,018,238	(958,790)
Net change in:		
Accounts receivable	6,863	(9,220)
Unconditional promises to give	(547,503)	-
Promise to give - United Way	(6,033)	(84,824)
Prepaid expenses	11,292	(15,073)
Commodities inventory	(56,623)	48,241
Accounts payable	(13,751)	6,946
Accrued expenses and other liabilities	3,673	37
Net cash provided by (used in) operating activities	<u>1,339,914</u>	<u>(425,353)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Expenditures for property and equipment	(71,782)	(94,850)
Purchase of investments	(3,737)	(1,444)
Net cash used in investing activities	<u>(75,519)</u>	<u>(96,294)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Change in permanently restricted investments	(52,997)	(30,070)
Net cash used in financing activities	<u>(52,997)</u>	<u>(30,070)</u>
Net change in cash and cash equivalents	1,211,398	(551,717)
Cash and cash equivalents at beginning of year	<u>991,630</u>	<u>1,543,347</u>
Cash and cash equivalents at end of year	<u>\$ 2,203,028</u>	<u>\$ 991,630</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 (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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 Statement of Activities. All grantee-restricted support is reported as an increase in temporarily restricted net assets in the Statement 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 Food Bank is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (“FIN 48”), an interpretation of FASB Statement No. 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, Accounting for Income Taxes (“SFAS 109”). FIN 48 clarifies the application of SFAS 109 by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an enterprise’s financial statements. Additionally, FIN 48 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. In December, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3 which permits an entity within its scope to defer the effective date of FIN 48 to its annual financial statements for fiscal years beginning after December 15, 2008. The Food Bank has elected to defer the application of FIN 48 for the year ending December 31, 2008. The Food Bank evaluates its uncertain tax positions using the provisions of FASB 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Management has not completed its evaluation of the impact of this standard; however, the Food Bank does not expect the impact will be material to the financial statements.

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.

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

NOTES TO FINANCIAL STATEMENTS

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

Investments

Investments are carried at 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.

At December 31, 2008, the Food Bank's cash accounts were completely collateralized and/or insured. Additionally, \$333,820 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. Management believes that all existing receivables are collectible for both years.

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 \$61,000 and \$36,000 for the years ended December 31, 2008 and 2007, 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>2008</u>	<u>2007</u>
Generators for agencies	\$ -	\$ 19,880
Bucks for Trucks program	82,709	47,658
Back Pack Program	14,698	-
Capital Campaign	2,141,989	101,000
United Way Promise to Give	77,961	84,824
Cooler/freezer purchase	-	35,000
	<u>\$ 2,317,357</u>	<u>\$ 288,362</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>2008</u>	<u>2007</u>
Endowment Fund; (principal unexpendable; earnings can be used for general mission statement of Food Bank)	\$ 451,827	\$ 407,272

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, 2008 and 2007 was \$1.49 and \$1.69 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.

Activity of food inventory is summarized as follows:

	<u>2008</u>	<u>2007</u>
Food inventory, beginning of year	\$ 2,788,194	\$ 1,850,030
Food donations received	13,907,758	18,636,270
Food purchases	249,035	211,871
Distributed, discarded, and adjustment	(15,175,031)	(17,909,977)
Food inventory, end of year	<u>\$ 1,769,956</u>	<u>\$ 2,788,194</u>

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

NOTES TO FINANCIAL STATEMENTS

5. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2008 and 2007. 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>2008</u>	<u>2007</u>
Commodity inventory, beginning of year	\$ 54,840	\$ 103,081
Food commodities received	1,004,175	582,322
Distributed, discarded, and adjustment	<u>(947,552)</u>	<u>(630,563)</u>
Commodity inventory, end of year	<u>\$ 111,463</u>	<u>\$ 54,840</u>

6. CLUSTER TRANSPORTATION

The Food Bank assumed the responsibility as the cluster head for various food banks. Other Food Banks in the cluster for 2008 were the Food Bank of Central Louisiana, the Food Banks of Northeast and Northwest Louisiana. For 2007, the cluster consisted of the Food Bank of Central Louisiana, and the Second Harvest Food Bank of Greater New Orleans and Acadiana. As the head of the cluster of itself, the Food Bank coordinates and pays for the cluster's transportation costs and is then reimbursed monthly by the two 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 \$62,000 for the next four years, \$21,912 in 2013, and a final payment of \$5,765 in 2014. Rental expense for the lease was \$62,326 and \$55,553 for the years ended December 31, 2008 and 2007.

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 \$15,891 and \$13,278 to this Plan during the years ended December 31, 2008 and 2007, respectively.

THE GREATER BATON ROUGE FOOD BANK
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. INVESTMENT INCOME

The Greater Baton Rouge Food Bank Endowment Fund (the Fund) was created as an inviolate endowment. 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. The carrying amount of the investments of \$541,043 and \$639,556 as of December 31, 2008 and 2007, respectively, are recorded at their fair values.

The Food Bank also has cash in money market accounts and certificates of deposit that pay interest.

Investment income on investments was comprised of the following:

	<u>2008</u>	<u>2007</u>
Net unrealized gains (losses) on endowment fund	(\$ 151,510)	\$ 22,458
Dividend and interest (endowment fund)	13,372	2,269
Interest (money market and certificates of deposit)	<u>27,234</u>	<u>66,289</u>
	<u>(\$ 110,904)</u>	<u>\$ 91,016</u>

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. 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.

THE GREATER BATON ROUGE FOOD BANK
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective December 31, 2008, the Food Bank adopted SFAS 159 and SFAS 157, *The Fair Value Option for Financial Assets and Financial Liabilities and Fair Value Measurements*. SFAS 157 clarifies the definition of fair value and establishes a frame work for measuring fair value. The Food Bank, in accordance with Financial Accounting Standards Board Staff Position No. 157-2 “The effective Date of FASB No. 157”, will defer application of SFAS No. 157 for nonfinancial assets and liabilities until January 1, 2009.

On October 10, 2008, the FASB issued FSP FAS No. 157-3, “Fair Value Measurements” (FSP FAS 157-3), which clarifies the application of SFAS No. 157 in an inactive market and provides an example to demonstrate how the fair value of a financial asset is determined when the market for that financial asset is inactive. FSP FAS 157-3 was effective upon issuance, including prior periods for which financial statements had not been issued. The adoption of this standard did not have a material impact on the Food Bank’s results of operations, cash flows, or financial positions.

In addition to defining fair value, SFAS No. 157 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based upon adjusted 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, 2008.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments - Restricted	<u>\$ 446,902</u>	<u>\$ -</u>	<u>\$ 94,141</u>

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

NOTES TO FINANCIAL STATEMENTS

13. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2008 are as follows:

Receivable in less than one year	\$ 244,333
Receivable in one to five years	<u>327,890</u>
Total unconditional promises to give	572,223
Less: Discounts to net present value	<u>(24,720)</u>
Net unconditional promises to give	<u>\$ 547,503</u>

Discount rate used on the valuation of long-term promises to give was 4.32%, the rate of return of the 30 year U.S. Treasury Bill.

14. 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 location. 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 from 2007 to 2008.