
THE GREATER BATON ROUGE FOOD BANK

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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TABLE OF CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1 - 3
<u>Consolidated Financial Statements</u>	
Consolidated Statements of Financial Position	4 - 5
Consolidated Statements of Activities and Changes in Net Assets	6 - 7
Consolidated Statements of Functional Expenses by Nature and Class	8 - 9
Consolidated Statements of Cash Flows	10
Notes to Consolidated Financial Statements	11 - 24
<u>Supplemental Information</u>	
Schedule of Compensation, Benefits and Other Payments to Chief Executive Officer	25

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Greater Baton Rouge Food Bank (a not-for-profit Organization) which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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, 2021 and 2020, and the respective changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of The Greater Baton Rouge Food Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Greater Baton Rouge Food Bank's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Greater Baton Rouge Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Greater Baton Rouge Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of compensation, benefits and other payments to Chief Executive Officer included on page 26 is presented for purpose of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 27, 2022, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 29, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,354,850	\$ 7,421,059
Cash and cash equivalents - Mission Support	10,002,000	-
Restricted cash	1,906,340	2,747,847
Total cash	13,263,190	10,168,906
Other receivables	95,419	491,031
Grant receivable - FEMA (footnote 15)	56,188	183,692
Unconditional promises to give, net	144,562	1,784,275
Promise to give - United Way	30,000	30,000
Food inventory - donated and purchased	3,125,492	1,394,986
Food inventory - commodities	1,566,069	1,357,782
Prepaid expenses	163,806	156,627
Total current assets	18,444,726	15,567,299
<u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	13,255,850	12,779,590
Vehicles	347,049	328,681
Furniture, fixtures, and equipment	2,610,911	2,469,171
Leased equipment	643,801	643,801
	17,357,611	16,721,243
Less: Accumulated depreciation	(5,869,495)	(5,008,985)
Total property and equipment, net	11,488,116	11,712,258
<u>OTHER ASSETS</u>		
Investments (footnote 13)	2,589,459	2,143,597
Long-term portion of unconditional promises to give	136,348	133,341
Total other assets	2,725,807	2,276,938
Total assets	\$ 32,658,649	\$ 29,556,495

The accompanying notes are an integral part of these consolidated statements.

LIABILITIES AND NET ASSETS

	2021	2020
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 337,371	\$ 318,240
Accrued expenses and other liabilities	199,218	191,401
Accrued interest payable	1,853	3,063
Note payable - current portion	188,850	185,535
Lease obligation - current portion	97,937	94,103
Total current liabilities	825,229	792,342
 <u>LONG-TERM LIABILITIES</u>		
Note payable - less current portion	702,660	874,866
Lease obligation - less current portion	138,202	236,139
Total long-term liabilities	840,862	1,111,005
Total liabilities	1,666,091	1,903,347
 <u>NET ASSETS</u>		
Without donor restrictions:		
Programming and general operations	17,634,211	13,682,275
Board designated	10,002,000	10,000,000
Total net assets without donor restrictions	27,636,211	23,682,275
With donor restriction	3,356,347	3,970,873
Total net assets	30,992,558	27,653,148
Total liabilities and net assets	\$ 32,658,649	\$ 29,556,495

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

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND OTHER SUPPORT</u>			
Contributions	\$ 5,930,755	\$ 905,292	\$ 6,836,047
United Way	38,896	60,000	98,896
Emergency Food and Shelter Grant (FEMA)	54,830	-	54,830
Donated services and gifts in kind	68,098	-	68,098
Grant revenues - other	90,454	1,342,479	1,432,933
Local government support	55,810	-	55,810
SNAP Outreach	20,068	-	20,068
SNAP Ed	132,112	-	132,112
USDA commodities reimbursements	699,739	-	699,739
Investment income (loss), net	441,501	-	441,501
Food donations received	21,425,246	-	21,425,246
Purchased food program	53,165	-	53,165
Commodities received	5,585,937	-	5,585,937
Paycheck Protection Program	-	-	-
Other	234,382	25,000	259,382
Total revenues and other support	<u>34,830,993</u>	<u>2,332,771</u>	<u>37,163,764</u>
Net assets released from restrictions			
Satisfaction of restrictions	2,947,297	(2,947,297)	-
Total revenues	<u>37,778,290</u>	<u>(614,526)</u>	<u>37,163,764</u>
<u>EXPENSES</u>			
Program - food distribution	31,741,117	-	31,741,117
Supporting services			
Management and general	899,101	-	899,101
Fundraising	1,184,136	-	1,184,136
Total supporting services	<u>2,083,237</u>	<u>-</u>	<u>2,083,237</u>
Total expenses	<u>33,824,354</u>	<u>-</u>	<u>33,824,354</u>
<u>CHANGE IN NET ASSETS</u>	3,953,936	(614,526)	3,339,410
Net assets - beginning of period	<u>23,682,275</u>	<u>3,970,873</u>	<u>27,653,148</u>
Net assets - end of period	<u>\$ 27,636,211</u>	<u>\$ 3,356,347</u>	<u>\$ 30,992,558</u>

The accompanying notes are an integral part of these consolidated statements.

2020

Without Donor Restrictions	With Donor Restrictions	Total
\$ 9,111,584	\$ 2,648,157	\$ 11,759,741
33,357	60,000	93,357
129,984	-	129,984
43,250	-	43,250
226,924	2,403,944	2,630,868
52,810	-	52,810
13,182	-	13,182
87,638	-	87,638
1,451,149	-	1,451,149
185,393	-	185,393
13,689,203	-	13,689,203
48,942	-	48,942
8,786,055	-	8,786,055
427,655	-	427,655
46,785	-	46,785
<u>34,333,911</u>	<u>5,112,101</u>	<u>39,446,012</u>
2,642,439	(2,642,439)	-
<u>36,976,350</u>	<u>2,469,662</u>	<u>39,446,012</u>
26,216,188	-	26,216,188
720,728	-	720,728
<u>1,150,039</u>	<u>-</u>	<u>1,150,039</u>
<u>1,870,767</u>	<u>-</u>	<u>1,870,767</u>
<u>28,086,955</u>	<u>-</u>	<u>28,086,955</u>
8,889,395	2,469,662	11,359,057
<u>14,792,880</u>	<u>1,501,211</u>	<u>16,294,091</u>
<u>\$ 23,682,275</u>	<u>\$ 3,970,873</u>	<u>\$ 27,653,148</u>

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			
	Program Expense - Food Distribution	Supporting Services		Total
		Management and General	Fundraising	
Accounting and professional fees	\$ -	\$ 50,694	\$ 50,694	\$ 101,388
Advertising	-	-	6,354	6,354
Bad debt	-	127,504	-	127,504
Computer upgrade	73,526	65,123	71,425	210,074
Conferences	640	56,876	6,391	63,907
Contract labor	99,764	16,241	-	116,005
Depreciation (footnote 16)	808,880	25,815	25,815	860,510
Direct mail expense	-	-	369,633	369,633
Distribution of commodities	5,377,650	-	-	5,377,650
Distribution of food	22,096,601	-	-	22,096,601
Dues	8,529	10,597	6,720	25,846
Food purchases with FEMA revenue	54,830	-	-	54,830
Fuel and mileage	87,683	886	-	88,569
Gain/loss on disposal	-	-	-	-
In-kind expense	2,888	27,434	5,776	36,098
Insurance	157,328	50,965	13,295	221,588
Interest expense	44,891	935	935	46,761
Bank fees	-	73,087	-	73,087
Equipment	142,043	2,990	4,486	149,519
Miscellaneous expense	51,945	4,617	1,154	57,716
Payroll taxes	119,344	22,164	28,983	170,491
Postage	1,030	4,807	28,500	34,337
Printing and publication	4,491	898	84,426	89,815
Repairs and maintenance	206,045	4,293	4,293	214,631
Rentals	126,503	-	-	126,503
Retirement and employee benefits	213,955	35,659	47,546	297,160
Salaries	1,590,188	291,161	358,352	2,239,701
Service contracts	-	5,794	24,703	30,497
Special event expense	-	-	-	-
Supplies	240,074	2,610	18,267	260,951
Telephone	24,661	4,228	6,341	35,230
Transportation	100,205	-	-	100,205
Rent and utilities	73,783	12,649	18,973	105,405
Waste disposal	33,640	1,074	1,074	35,788
	<u>\$ 31,741,117</u>	<u>\$ 899,101</u>	<u>\$ 1,184,136</u>	<u>\$ 33,824,354</u>

The accompanying notes are an integral part of these statements.

2020			
Program Expense - Food Distribution	Supporting Services		Total
	Management and General	Fundraising	
\$ 2,282	\$ 49,060	\$ 62,751	\$ 114,093
-	-	38,012	38,012
-	-	-	-
69,390	65,741	47,479	182,610
6,781	57,631	3,390	67,802
110,634	15,086	-	125,720
710,559	22,677	22,677	755,913
-	-	337,300	337,300
7,941,022	-	-	7,941,022
14,639,317	-	-	14,639,317
3,167	3,294	6,207	12,668
129,984	-	-	129,984
61,220	679	292	62,191
4,027	128	128	4,283
-	35,032	8,218	43,250
124,032	40,180	10,482	174,694
58,076	1,853	1,853	61,782
-	78,282	-	78,282
24,052	2,079	3,563	29,694
37,951	4,739	1,040	43,730
112,377	21,171	29,316	162,864
1,331	5,317	26,591	33,239
2,941	490	45,587	49,018
163,194	2,614	2,614	168,422
99,103	-	-	99,103
161,495	15,486	44,245	221,226
1,463,606	275,752	381,810	2,121,168
345	6,905	27,275	34,525
-	-	3,824	3,824
156,512	3,683	23,937	184,132
24,044	3,778	6,526	34,348
25,513	-	-	25,513
51,210	8,048	13,900	73,158
32,023	1,023	1,022	34,068
<u>\$ 26,216,188</u>	<u>\$ 720,728</u>	<u>\$ 1,150,039</u>	<u>\$ 28,086,955</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,339,410	\$ 11,359,057
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	127,504	-
Endowment contributions	(258,910)	(206,978)
Depreciation	860,510	755,913
Unrealized appreciation of investments	(348,215)	(136,992)
Food inventory - donated and purchased, net	(1,730,506)	(338,859)
Net change in:		
Other receivables	395,612	(321,910)
Grant receivable- FEMA	-	79,563
Unconditional promises to give	1,636,706	(1,867,986)
Prepaid expenses	(7,179)	(119,388)
Food inventory - commodities	(208,287)	(845,033)
Accrued interest payable	(1,210)	(522)
Accounts payable	19,131	100,683
Accrued expenses and other liabilities	7,817	68,980
Other current assets	-	34,221
Net cash provided by operating activities	<u>3,832,383</u>	<u>8,560,749</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(636,368)	(1,472,265)
Purchase of investments	(97,647)	(34,004)
Net cash used in investing activities	<u>(734,015)</u>	<u>(1,506,269)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Endowment contributions	258,910	206,978
Principal payments on notes payable	(168,891)	(180,797)
Principal payments on capital lease obligations	(94,103)	(90,419)
Net cash used in financing activities	<u>(4,084)</u>	<u>(64,238)</u>
Net change in cash and cash equivalents	3,094,284	6,990,242
Cash and cash equivalents at beginning of year	<u>10,168,906</u>	<u>3,178,664</u>
Cash and cash equivalents at end of year	<u>\$ 13,263,190</u>	<u>\$ 10,168,906</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 47,971</u>	<u>\$ 62,304</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 CONSOLIDATED 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 the U.S. Department of Agriculture (USDA) Commodities program. The Food Bank also receives food from the Federal Emergency Management Agency (FEMA) during times of natural disasters and global pandemics.

On November 29, 2021, the Food Bank formed a new entity known as GBRFB Mission Support (Mission Support). The GBRFB Mission Support exists to support and further the mission and purposes of The Greater Baton Rouge Food Bank, Inc. The Greater Baton Rouge Food Bank, Inc. exists to service emergency, short term, and on-going unmet food needs of individuals in its service area through existing social service providers, congregations and other organizations. This mission is accomplished by supporting or providing services, such as food collection and distribution and education programs. Mission Support holds cash and cash equivalents of \$10,002,000 and had no other activity for the year ended December 31, 2021.

Consolidation

The consolidated financial statements of the Food Bank include the accounts of Mission Support and the Greater Baton Rouge Food Bank, Inc. for which the Food Bank is the sole member. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Food Bank is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Food Bank. These net assets may be used at the discretion of the Food Bank's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Use of Estimates

The preparation of consolidated 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 consolidated 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 the preparation of the accompanying consolidated 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.

For the year ended December 31, 2020, the Organization changed its accounting policy for depreciating property and equipment. Prior to January 1, 2020, the Organization calculated depreciation of property and equipment using accelerated methods. Effective January 1, 2020, the Organization changed its method of depreciation for all property and equipment assets from the accelerated method to the straight-line method. Management deemed the change preferable because the straight-line method will more accurately reflect the pattern of usage and the expected benefits of the assets. The change was accounted for as a change in accounting estimate and the entire effect of the change was accounted for prospectively in the financial statements for the year ended December 31, 2020.

Revenue Recognition and Promises to Give

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated 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 has determined that an allowance of \$5,000 is necessary for both years ending December 31, 2021 and 2020.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 \$26,000 and \$31,200 related to rental income for the years ended December 31, 2021 and 2020, respectively. The Organization filed Form 990T in relation to this business income, however, no material amount of income tax was paid due to the related expenses that were deductible from the income. Accordingly, no provision for income taxes on related income has been included in the consolidated financial statements for December 31, 2021 or 2020. In Management's judgment, the Food Bank does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

Food Inventory - Donated and Purchased

Food inventory, predominately donated, including food received, distributed and undistributed, is valued using the estimated fair value as determined by the Feeding America Product Valuation Survey prepared on an annual basis. The report, which is one year in arrears, 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. Feeding America Product Valuation Survey prepared by RSM US LLP for the average wholesale value of \$1.79 at December 31, 2020 and prepared by KPMG, LLP for the average wholesale value of \$1.74 for the year ended December 31, 2019. Due to the current economic conditions and the impact of inflation to the cost of food, management concluded that a one-time adjustment to the December 31, 2020 Feeding America valuation was deemed necessary for the year ended December 31, 2021. The adjustment was determined utilizing the May 2022 Consumer price index for Food and its unadjusted twelve-month percent change of 10%. The fair value used for the years ended December 31, 2021 and 2020, was \$1.97 and \$1.74, respectively.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. In response to the pandemic, the government implemented the Coronavirus Food Assistance Program (CFAP) which involved creating boxes that included both donated food and USDA product and distributing the boxes to the surrounding parishes of Louisiana to assist those in need. The boxes varied based on the food in inventory each day. The CFAP boxes are valued using the estimated fair value as determined by Feeding America Product Valuation Survey, which is one year in arrears, prepared by RSM US LLP for the average wholesale value excluding non-food items of \$1.70 at December 31, 2020 and prepared by KPMG, LLP for the average wholesale value excluding non-food items of \$1.49 for the year ended December 31, 2019. Due to the current economic conditions and the impact of inflation to the cost of food, management concluded that a one-time adjustment to the December 31, 2020 Feeding America valuation was deemed necessary for the year ended December 31, 2021. The adjustment was determined utilizing the May 2022 Consumer price index for Food and its unadjusted twelve-month percent change of 10%. The fair value used for the years ended December 31, 2021 and 2020, was \$1.87 and \$1.49, respectively. There were approximately 2,316,000 and 2,317,000 pounds distributed as part of this program during 2021 and 2020, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Food Inventory - Commodities

The Food Bank records commodities inventory as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as net assets without donor restrictions at an amount equal to the determined value in accordance with the aforementioned guidelines. During the years ended December 31, 2021 and 2020, the food product prices averaged \$1.05 per pound and \$1.03 per pound, respectively.

Investments

Investments are carried at net asset value (NAV) of units held by the Food Bank at year end. The change in fair value is recognized as a component of investment income.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months. Restricted cash represents amounts held by the Organization with donor-imposed restrictions.

Other Receivables

The Food Bank determines past-due accounts based on contractual terms and does not charge interest on the accounts. Receivables consist primarily of amounts due from various grants. The Food Bank charges off receivables if management considers the collection of the outstanding balance to be doubtful. Management does not believe an allowance is necessary at December 31, 2021 or 2020.

Donated Services and Materials

A significant portion of the Food Bank's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the consolidated 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 and supplies are reflected as donated services and gifts in kind on the accompanying consolidated statement of activities and changes in net assets at their estimated fair market values at the date of receipt. Various materials were donated to the Food Bank to help aid in their mission. These materials and supplies were valued at approximately \$68,098 and \$43,250 for the years ended December 31, 2021 and 2020, respectively. The amount at December 31, 2021 and 2020 consisted mainly of donated professional services of \$32,450 and \$43,250, respectively.

Accounting pronouncements issued but not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after December 15, 2021.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting pronouncements issued but not yet adopted (continued)

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for the Organization's fiscal year ending December 31, 2022.

The Food Bank is currently assessing the impact of these pronouncements on its consolidated financial statements.

3. AVAILABILITY AND LIQUIDITY

The following represents the Food Bank's financial assets at December 31, 2021 and 2020:

Financial assets at year end:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 13,263,190	\$ 10,168,906
Other receivables	95,419	491,031
Unconditional promises to give, net	144,562	1,784,275
Promise to give - United Way	30,000	30,000
Investments	<u>2,589,459</u>	<u>2,143,597</u>
Total financial assets	16,122,630	14,617,809
Less amounts not available to be used within one year:		
Endowment fund - donor restricted	1,299,685	1,241,807
Financial assets available to meet general		
expenditures over the next twelve months	<u>\$ 14,822,945</u>	<u>\$ 13,376,002</u>

The Food Bank's cash flows have seasonal variations during the year attributable to a concentration of contributions received during holidays and at calendar year-end. To manage liquidity, the Food Bank maintains certain cash and cash equivalents, as noted above, that could meet any operating cash flow needs for an extended period as well as any major maintenance and repairs needed on their facility. The cash and cash equivalents balance does include approximately \$10,000,000 of board designated funds for the years ended December 31, 2021 and 2020, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Specific Purpose		
Bucks for Trucks Program	\$ 11,563	\$ 63,734
Back Pack Program	24,399	46,273
Estate of Elizabeth Ferro – Garden	12,500	15,000
Senior Grocery	85,746	68,356
Mobile Pantry	336,947	488,849
Feeding America Strategic Capacity Building Services	232,270	-
Food Purchases	938,926	1,783,823
Farm Fresh	17,842	37,479
Other	<u>12,956</u>	<u>43,071</u>
	<u>1,673,149</u>	<u>2,546,585</u>
Endowment Fund		
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	<u>1,683,198</u>	<u>1,424,288</u>
Total net assets with donor restrictions	<u>\$ 3,356,347</u>	<u>\$ 3,970,873</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. The primary funds released from net assets with donor restrictions during the year ended December 31, 2021 were program food expenditures of \$539,432, Hurricane Ida relief food expenditures of \$886,454, Covid-19 food expenditures of \$1,416,947 and non-food related expenditures of \$104,464. The primary funds released from net assets with donor restrictions during the year ended December 31, 2020 were program and Covid-19 food expenditures of \$1,042,629 and Covid-19 non-food related expenditures of \$922,430.

Net assets without donor restrictions for the years ended December 31, 2021 and 2020, were comprised of undesignated and Board designated amounts:

	<u>2021</u>	<u>2020</u>
Undesignated:		
Programming and general operations	\$ 16,347,461	\$ 12,780,485
Accumulated earnings on endowed net assets	1,289,744	901,790
Board designated	<u>10,002,000</u>	<u>10,000,000</u>
	<u>\$ 27,639,205</u>	<u>\$ 23,682,275</u>

The Board of Directors authorized the establishment of designated funds for an investment portfolio with the objective to seek growth of income and capital appreciation consistent with long term objectives to meet future obligations of The Food Bank. The investments will be held by GBRFB Mission Support and the purpose of the investments will be to provide financial stability and resources for growth. Such investments will be available for future cash-flow shortfalls and major capital expenditures as well as unforeseen contingencies.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2021 and 2020. 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 consolidated financial statements as unrestricted revenue at their estimated fair value.

Activity of commodities is summarized as follows:

	<u>2021</u>	<u>2020</u>
Commodity inventory at beginning of year	\$ 1,357,782	\$ 512,749
Food commodities received	5,585,937	8,786,055
Distributed, discarded, and adjustment	<u>(5,377,650)</u>	<u>(7,941,022)</u>
Commodity inventory at end of year	<u>\$ 1,566,069</u>	<u>\$ 1,357,782</u>

5. NOTES PAYABLE

On May 25, 2021, the Food Bank signed a promissory note to refinance the debt that was due August 5, 2021. The new terms and payments commenced on July 5, 2021. The Food Bank applied Accounting Standards Update (ASU), *Debt (Topic 470): Classification of Debt in a Classified Balance Sheet* to this transaction. The standard allows an entity to classify what would otherwise be current debt as noncurrent debt when that debt has been refinanced on a long-term basis after year end, but before the consolidated financial statements are issued. Therefore, the consolidated financial statements include the classification of debt under the terms of the refinanced debt agreement as of December 31, 2020.

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

	<u>2021</u>	<u>2020</u>
Loan with Bancorp South; 180 monthly payments of \$18,967 at 4% interest; balloon payment in the amount of \$950,075 due August 5, 2021; secured by the building	\$ -	\$ 77,766
Loan with Bancorp South: 60 monthly payments of \$17,580 at 2.75% interest; due June 5, 2026; secured by the building	<u>891,510</u>	<u>982,635</u>
Subtotal	891,510	1,060,401
Less: current portion	<u>(188,850)</u>	<u>(185,535)</u>
Long term debt- net of maturities	<u>\$ 702,660</u>	<u>\$ 874,866</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. **NOTES PAYABLE** (continued)

The note is expected to mature as follows:

<u>Year ending December 31st</u>	<u>Amount</u>
2022	\$ 188,850
2023	193,837
2024	199,274
2025	204,938
2026	<u>104,611</u>
	<u>\$ 891,510</u>

6. **PAYCHECK PROTECTION PROGRAM**

In April 2020, the Organization received a loan in the amount of \$427,655 under the Payroll Protection Program (PPP Loan). The Organization met the PPP's eligibility criteria and, therefore, accounted for the PPP Loan in accordance with FASB ASC 958-605 as a conditional contribution in the accompanying consolidated financial statements for the year ended December 31, 2020.

7. **VEHICLE LEASES**

The Food Bank leases delivery trucks for food distribution.

Operating Leases

An operating lease was entered into in April 2016 for a tractor trailer, but the truck was not put into service until October 2016. The tractor had a term of 54 months with a fixed monthly charge of \$1,656 through August of 2021 when the lease expired and converted to month-to-month lease payments of \$1,755 per month. The trailer has a term of 114 months with a fixed monthly charge of \$1,126. Rental expense for the leases which includes the fixed monthly charge plus mileage was \$43,631 and \$42,081 for the years ended December 31, 2021 and 2020, respectively.

Capital Leases

On January 3, 2017, the Food Bank entered into five capital lease agreements each with a term of 84 months. The trucks were put into service on dates ranging from May 2017 to July 2017. The leases are to be paid in monthly installments ranging from \$1,740 to \$1,840 per month. The total lease obligation and cost included in fixed assets for the capital leases was \$643,801 at both December 31, 2021 and 2020. Lease obligation principal payments totaled \$94,103 and \$90,419 for the years ended December 31, 2021 and 2020, respectively. Accumulated depreciation for these assets was \$442,697 and \$326,237 as of December 31, 2021 and 2020, respectively.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. VEHICLE LEASES

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

2022		\$	105,600
2023			105,600
2024			<u>36,602</u>
			247,802
Less: interest			<u>(11,663)</u>
Total capital lease obligation			<u>\$ 236,139</u>

8. 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 \$43,218 and \$31,159 to this Plan during the years ended December 31, 2021 and 2020, respectively.

9. INVESTMENT INCOME

The Food Bank has cash in money market accounts and pooled separate accounts held by BRAF that pay interest. Investment income (loss) on investments was comprised of the following:

	<u>2021</u>		<u>2020</u>
Net unrealized (loss) gains on endowment fund	\$ 348,215	\$	136,992
Dividend and interest	114,741		66,359
Investment fees	<u>(21,455)</u>		<u>(17,958)</u>
	<u>\$ 441,501</u>		<u>\$ 185,393</u>

10. FUNCTIONAL ALLOCATION OF EXPENSES BY NATURE AND CLASS

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and functional expenses by nature and class. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited. The method of allocation for depreciation, interest expense, waste disposal and other miscellaneous expenses including pest control and security is based on square footage. The method of allocation for insurance, retirement and employee benefits, supplies, telephone and utilities is based on full time equivalents.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. PROMISES TO GIVE

Unconditional Promises to Give

During the prior year, there were various donors who made promises to give totaling \$1,983,733. The promises to give vary in amount and are payable over one to six years from 2020 through 2025. During 2019, many of the Board members made promises to give in response to the Wilson Challenge grant totaling \$65,205. These promises to give also varied in amount and will be paid over one to three years from 2019 through 2021. The total promises to give outstanding as of December 31, 2021 and 2020 is \$280,910 and \$1,917,616, respectively. The total amount paid by donors as of December 31, 2021 and 2020 was approximately \$1,800,000 and \$66,000, respectively.

Unconditional promises to give, other than United Way, at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 144,562	\$ 1,784,275
Receivable in one to five years	<u>136,348</u>	<u>133,341</u>
Total unconditional promises to give	<u>\$ 280,910</u>	<u>\$ 1,917,616</u>

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting principles generally accepted in the United States of America (GAAP) provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2021 and 2020.

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

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

Fair Value of Assets Measured on a Recurring Basis

The following table presents, for each of the fair-value hierarchy levels, the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2021 and 2020.

	Level 1	Level 2	Level 3
Pooled Investments at December 31, 2021	\$ -	\$ 2,589,459	\$ -
Pooled Investments at December 31, 2020	\$ -	\$ 2,143,597	\$ -

14. ENDOWMENT NET ASSETS

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

The Board of Directors of the Food Bank has interpreted the Louisiana State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This Act was effective July 1, 2010.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. ENDOWMENT NET ASSETS (continued)

Upon implementation, the Food Bank classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Interest, dividends, capital gains or other earnings of the Fund are to be utilized at the discretion of the Board of Directors, and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors. The corpus of the assets of this fund is considered to be permanently restricted.

Investments of the Endowment Fund consist solely of amounts invested in the Baton Rouge Area Foundation Investment Pool (BRAAF). To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The carrying amount of the investments of \$2,589,459 and \$2,143,597 as of December 31, 2021 and 2020, respectively, are recorded at their fair value which is based on the net asset value of units held by the Food Bank of BRAAF's investment pool.

As of December 31, 2021 and 2020, all interest and dividend income and unrealized gains were classified as without donor restriction.

The endowment net asset composition by type of fund was as follows as of December 31, 2021 and 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2021	<u>\$ 1,289,774</u>	<u>\$ 1,299,685</u>	<u>\$ 2,589,459</u>
Donor-Restricted Endowment as of December 31, 2020	<u>\$ 901,790</u>	<u>\$ 1,241,807</u>	<u>\$ 2,143,597</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. ENDOWMENT NET ASSETS (continued)

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ 901,790	\$ 1,241,807	\$ 2,143,597
Contributions	-	57,878	57,878
Investment Return:			
Investment gain	61,224	-	61,224
Net appreciation	348,215	-	348,215
Investment expenses	<u>(21,455)</u>	<u>-</u>	<u>(21,455)</u>
 Endowment net assets, December 31, 2021	 <u>\$ 1,289,774</u>	 <u>\$ 1,299,685</u>	 <u>\$ 2,589,459</u>

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2019	\$ 730,794	\$ 1,241,807	\$ 1,972,601
Investment Return:			
Investment gain	51,962	-	51,962
Net appreciation	136,992	-	136,992
Investment expenses	<u>(17,958)</u>	<u>-</u>	<u>(17,958)</u>
 Endowment net assets, December 31, 2020	 <u>\$ 901,790</u>	 <u>\$ 1,241,807</u>	 <u>\$ 2,143,597</u>

15. THE FLOOD AND INSURANCE PROCEEDS

Due to heavy rainfall and severe storms in Louisiana between August 12 and August 15, 2016, record flooding throughout East Baton Rouge Parish endangered the lives of Louisianans and inflicted heavy damage to public and private property, including The Food Bank. The Food Bank's building received flood water that reached four or more feet in height, damaging the building and destroying certain contents and fixed assets.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. THE FLOOD AND INSURANCE PROCEEDS (continued)

The Food Bank maintained a flood and inland marine policy and filed a claim for recovery of damages to its property and equipment. The Food Bank reached a settlement of damages to the building and equipment insured and received approximately \$0.7 million during the year ended December 31, 2016. The Governor of Louisiana requested a Presidential disaster declaration, which was declared (DR-4277) on August 14, 2016, authorizing the Federal Emergency Management Agency (FEMA) to activate the Public Assistance (PA) program. The Food Bank is seeking reimbursement for eligible recovery costs through the PA program for Emergency Protective Measures.

Under the Emergency Protective Measures PA program, the Food Bank submitted reimbursement requests to FEMA in the amount of \$1.6 million. As of December 31, 2018, the Food Bank has fully collected all they expect to receive from the Emergency Protective Measures PA program. In 2017, the Food Bank completed its extensive renovations to the facility. The Food Bank submitted its application for the Permanent Work Project Worksheets in the amount of \$1.2 million and has collected a total of \$1.0 million to date. During the year ended 2021, the Food Bank received notification of the final balance to be paid and recorded bad debt expense of \$127,504 related to costs that were ineligible for reimbursement. At December 31, 2021 and 2020, the Food Bank had a remaining receivable balance of approximately \$56,188 and \$183,692, respectively, on the consolidated statement of financial position related to the Permanent Work Project Worksheets approved by FEMA.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements consolidated were available to be issued, June 27, 2022, and determined that there were no events that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated 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, 2021

Chief Executive Officer: Michael G. Manning

Purpose	Amount
Salary, including incentive and bonus	\$ -
Benefits-insurance	-
Benefits-retirement	-
Deferred compensation	-
Benefits-other	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses	-
Special meals	-
Other (including payments made by other parties on behalf of the agency head)	-
Total	\$ -

R.S. 24:513 (A) (3) requires reporting of the total compensation, reimbursements, and benefits paid to the agency head or chief executive officer. This law was further amended by Act 462 of the 2015 Regular Session which clarified that nongovernmental or not for profit local auditees are required to report only the compensation, reimbursements, and benefits paid to the agency head or chief executive officer paid from public funds.

This organization is not required to report the total compensation, reimbursements, and benefits paid to the chief executive officer as these costs are supported by private funds.