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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-30-00





THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 1999 and 1998



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Postlethwaite & Netterville

A Professional Accounting Corporation
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INDEPENDENT AUDITORS' REPORT

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

We were engaged to audit in accordance with *Government Auditing Standards* the accompanying statements of financial position of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of December 31, 1999 and 1998, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Food Bank's management.

The Food Bank did not make a count of its physical inventory in 1999 or 1998, stated in the accompanying financial statements at \$410,000 as of December 31, 1999, and at \$465,000 as of December 31, 1998. The Food Bank's records do not permit the application of other auditing procedures to inventories or to donated foods and foods dispersed, which consisted of \$6,400,000 and \$7,150,000 in revenues for 1999 and 1998, respectively.

Since the Food Bank did not take physical inventories and we were unable to apply other auditing procedures to satisfy ourselves about inventory quantities, as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2000

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999 AND 1998

ASSETS

	1999	1998
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 222,717	\$ 101,136
Unconditional promises to give, less allowance for uncollectible promises of \$5,000 and \$3,426, respectively	162,319	1,419
Prepaid expenses	802	-
Food inventory	410,000	465,000
	795,838	567,555
<u>PROPERTY AND EQUIPMENT</u>		
Land	60,000	60,000
Building and building improvements	364,306	364,306
Vehicles	54,956	14,999
Furniture, fixtures, and equipment	52,416	45,752
	531,678	485,057
Less: Accumulated depreciation	(119,571)	(94,142)
	412,107	390,915
<u>OTHER ASSETS</u>		
Investments	256,318	145,929
	\$ 1,464,263	\$ 1,104,399

The accompanying notes are an integral part of these statements.



LIABILITIES AND NET ASSETS

	<u>1999</u>	<u>1998</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 9,877	\$ 4,066
Accrued expenses and other liabilities	1,869	8,415
	<u>11,746</u>	<u>12,481</u>
 <u>NET ASSETS</u>		
Unrestricted	1,071,061	927,864
Temporarily restricted	174,030	28,675
Permanently restricted	207,426	135,379
Total net assets	<u>1,452,517</u>	<u>1,091,918</u>
Total liabilities and net assets	<u>\$ 1,464,263</u>	<u>\$ 1,104,399</u>



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

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUES</u>				
Contributions	\$ 201,699	\$ 219,694	\$ 75,000	\$ 496,393
United Way	143,236	3,000	-	146,236
Special events	45,781	-	-	45,781
FEMA	-	27,536	-	27,536
Grant revenues	3,200	49,200	-	52,400
Local government support	32,400	1,000	-	33,400
State government support	150,000	-	-	150,000
Reclamation	33,585	-	-	33,585
Investment income	-	580	38,342	38,922
Interest income	4,277	-	-	4,277
Donated services	6,750	-	-	6,750
Donated food	6,400,000	-	-	6,400,000
Other	4,024	-	-	4,024
Net assets released from restrictions				
Satisfaction of purpose of restriction	196,950	(155,655)	(41,295)	-
Total revenues	<u>7,221,902</u>	<u>145,355</u>	<u>72,047</u>	<u>7,439,304</u>
<u>EXPENSES</u>				
Program	6,923,486	-	-	6,923,486
Administration	63,954	-	-	63,954
Fund-raising	91,265	-	-	91,265
Total expenses	<u>7,078,705</u>	<u>-</u>	<u>-</u>	<u>7,078,705</u>
<u>CHANGE IN NET ASSETS</u>	143,197	145,355	72,047	360,599
Net assets at beginning of year	<u>927,864</u>	<u>28,675</u>	<u>135,379</u>	<u>1,091,918</u>
Net assets, end of period	<u>\$ 1,071,061</u>	<u>\$ 174,030</u>	<u>\$ 207,426</u>	<u>\$ 1,452,517</u>

The accompanying notes are an integral part of these s



1998

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 165,015	\$ 31,750	\$ 119,940	\$ 316,705
143,236	3,000	-	146,236
44,243	-	-	44,243
-	28,475	-	28,475
9,794	7,764	-	17,558
29,250	-	-	29,250
-	-	-	-
18,200	-	-	18,200
-	-	10,550	10,550
1,771	695	-	2,466
6,750	-	-	6,750
7,150,000	-	-	7,150,000
2,017	1,208	-	3,225
64,307	(52,875)	(11,432)	-
<u>7,634,583</u>	<u>20,017</u>	<u>119,058</u>	<u>7,773,658</u>
7,441,222	-	-	7,441,222
65,566	-	-	65,566
67,749	-	-	67,749
<u>7,574,537</u>	<u>-</u>	<u>-</u>	<u>7,574,537</u>
60,046	20,017	119,058	199,121
867,818	8,658	16,321	892,797
<u>\$ 927,864</u>	<u>\$ 28,675</u>	<u>\$ 135,379</u>	<u>\$ 1,091,918</u>



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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 360,599	\$ 199,121
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,429	23,737
Net unconditional promises to give	(160,900)	36,750
Prepaid expenses	(802)	-
Food inventory	55,000	(75,000)
Accounts payable and accrued expenses	(735)	(867)
	<u>278,591</u>	<u>183,741</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Expenditures for property and equipment	(46,621)	(6,553)
Purchase of investments	(110,389)	(129,608)
Change in permanently restricted cash & cash equivalents	(33,147)	(1,677)
Net cash used in investing activities	<u>(190,157)</u>	<u>(137,838)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest restricted for reinvestment	33,147	1,677
Net cash used in financing activities	<u>33,147</u>	<u>1,677</u>
Net increase in cash and cash equivalents	121,581	47,580
Cash and cash equivalents at beginning of year	<u>101,136</u>	<u>53,556</u>
Cash and cash equivalents at end of year	<u>\$ 222,717</u>	<u>\$ 101,136</u>

The accompanying notes are an integral part of these statements.



THE GREATER BATON ROUGE FOOD BANK
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND 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. The Food Bank does not deal with individuals directly.

Basis of Accounting

The financial statements of the Food Bank have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the assets' useful lives, which range from 3 to 20 years.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted income, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.



THE GREATER BATON ROUGE FOOD BANK
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Income Taxes

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3).

Food Inventory

The Food Bank did not take a physical inventory as of December 31, 1999, 1998, or 1997 and estimated inventory to be a 3-½ week supply of average monthly receipt of food.

Cash and Cash Equivalents

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

At various times during the fiscal year, the Food Bank's cash in bank balances exceeded the Federally insured limits. At December 31, 1999, the Food Bank's uninsured cash balances totaled \$95,111.

2. TEMPORARILY RESTRICTED NET ASSETS

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

	1999	1998
Warehouse	\$ 60,146	\$ 28,675
Retirement	61,292	-
Initiatives	45,450	-
Salaries	7,142	-
	\$ 174,030	\$ 28,675

3. PERMANENTLY RESTRICTED NET ASSETS

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

	1999	1998
Endowment Fund; (principle unexpendable interest can be used for general mission statement of Food Bank)	\$ 207,426	\$ 135,379



THE GREATER BATON ROUGE FOOD BANK
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. DONATED FOOD AND SERVICES

The Food Bank's operations consist primarily of receiving, storing and redistributing donated food to the needy through eligible organizations. Donated food is recorded in the accompanying financial statements as unrestricted revenue at estimated fair market value. Also, volunteers assist in the operations of the Food Bank. The cost of volunteered services is not reflected in the accompanying financial statements.

The Food Bank receives donated legal services that were valued at \$6,750 in the financial statements.

The donated food was estimated as follows:

	1999	1998
Donated	\$ 6,400,000	\$ 7,150,000
Distributed, discarded, and adjustment	(6,455,000)	(7,075,000)
Inventory change – increase (decrease)	(\$ 55,000)	\$ 75,000

5. PROMISES TO GIVE

Unconditional promises to give at December 31, 1999 are as follows:

	1999
Receivable in less than one year	\$ 74,845
Receivable in more than one year	96,476
Total unconditional promises to give	171,321
Less discount to net present value	(5,576)
Less allowance for uncollectible promises	(3,426)
Net unconditional promises to give at December 31, 1999	\$ 162,319

Discount rate on long-term promises to give is 5% and on allowance for uncollectible promises is 2%.

The Food Bank received promises to give from 15 companies in the Baton Rouge area that totaled \$225,000. The balance of \$162,319 will be collected in the future.

6. RETIREMENT PLAN

The Food Bank adopted a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all full time employees who have at least three months service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, which cannot exceed 10% of their pay. The Food Bank has the option to match up to 100% in any one year. In 1999, the Food Bank contributed \$7,739 to this Plan.



THE GREATER BATON ROUGE FOOD BANK
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. ENDOWMENT FUND

The Greater Baton Rouge Food Bank Endowment Fund (the Fund) is created as an inviolate endowment. Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Monies designated by the Board of Directors may also be deposited in the 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.

8. FUNCTIONAL ALLOCATION OF EXPENSES

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

9. INVESTMENTS

Investments as of December 31, 1999, are summarized as follows:

	1999		1998	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Baton Rouge Foundation Investment Pool	\$ 256,318	\$ 256,318	\$ 145,929	\$ 145,929
(The gains are not restricted but corpus aggregating \$207,426 is permanently restricted.)				

Approximately 70% of the investment pool is held in stocks, 30% in bonds, and a small percentage in mutual funds.

Investment Income was comprised of the following:

	1999	1998
Dividend, interest	\$ 33,728	\$ -
Net unrealized gains	5,194	10,550
	\$ 38,922	\$ 10,550





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**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards**

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

We were engaged to audit the financial statements of The Greater Baton Rouge Food Bank (a not-for-profit organization) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 8, 2000 in which we disclaimed an opinion on those financial statements.

Compliance

Although we did not express an opinion about whether the Food Bank's financial statements are free of material misstatement, we did perform tests of its compliance with certain provisions of laws and regulations. Noncompliance with which could have a material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit procedures, we considered the Food Bank's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. As stated above, we did not issue an opinion on the financial statements as of and for the year ended December 31, 1999. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Food Bank's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

- 1) Condition: The segregation of duties over cash transactions is inadequate to provide effective internal control.
- Cause: This condition is due to the limited size of the accounting staff and available resources.
- Recommendation: No action recommended.
- Management's
 response: We concur with the finding.

- 2) Condition: The system over donated food and distributions, discarding, and inventory of donated and bought food is inadequate to enable the financial accounting for donated, dispersed, and inventory.
- Cause: This condition is due to no physical inventory counts.
- Recommendation: Periodically, the Food Bank needs to take inventory and tie inventory into the records of food received and dispersed.
- Management's response: We concur with the finding. We will implement in 2000

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider condition number 2 to be a material weakness.

This report is intended solely for the information and use of the finance committee, management of the Greater Baton Rouge Food Bank, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 8, 2000



G R E A T E R B A T O N R O U G E

Food Bank



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Vice President
Terry L. Chesney, Jr.
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Michael L. Rollson, M.D.
Secretary
St. Linda Constantin, O.S.F.
Member-at-Large
Kathy West
Member-at-Large

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EXECUTIVE DIRECTOR
Carl E. Stages, Jr.



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June 30, 2000

Dr. Daniel G. Kyle
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804

Dear Dr. Kyle:

The corrective action plan for the internal control over financial reporting is as follows:

1. The segregation of duties over cash transactions:

Management looked into the cost of implementing more controls and felt that the cost exceeded the benefit. We have many check and balance systems in place currently.

Example: Four people and two computer programs track all donations.

2. The system of food donations, distribution, discard and inventory:

The Food Bank has begun taking monthly inventories of the food and will do an inventory at the end of each year. Because of new software designed to track donated, distributed and discarded food, we will be able to tie these records into a physical inventory.

If you need additional information, do not hesitate to contact me.

Kindest regards.

Sincerely,



CARL E. STAGES, JR.

"Open your hand to the needy." -- DEUT. 15:11

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