

THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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THE GREATER BATON ROUGE FOOD BANK

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of The Greater Baton Rouge Food Bank (a not-for-profit Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Greater Baton Rouge Food Bank as of December 31, 2017 and 2016, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Food Bank was impacted by a natural disaster in August 2016 which significantly impacted its operations for the year ended December 31, 2016. The Food Bank's operations continued to be impacted during 2017 as they continued to resume normal operations. Our opinion is not modified with respect to this matter.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to Chief Executive Officer included on page 23 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reports Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated July 25, 2018, 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
July 25, 2018

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,596,154	\$ 3,310,402
Restricted cash	827,635	1,169,385
Other receivables	110,329	70,300
Grant receivable - FEMA (footnote 14)	1,186,965	1,168,051
Prepaid insurance	42,591	32,361
Unconditional promises to give	4,584	60,728
Promise to give - United Way	113,250	113,250
Food inventory - donated and purchased	1,943,873	2,355,797
Food inventory - commodities	462,104	410,550
Total current assets	7,287,485	8,690,824
 <u>PROPERTY AND EQUIPMENT</u>		
Land	500,000	500,000
Building and building improvements	11,378,268	9,483,013
Construction in process	-	19,433
Vehicles	280,181	199,885
Furniture, fixtures, and equipment	1,908,732	1,286,906
Leased equipment	643,801	-
	14,710,982	11,489,237
Less: Accumulated depreciation	(2,720,391)	(1,990,627)
Total property and equipment, net	11,990,591	9,498,610
 <u>OTHER ASSETS</u>		
Investments (footnote 13)	1,609,687	1,379,335
Long-term portion of unconditional promises to give	-	2,192
Total other assets	1,609,687	1,381,527
Total assets	\$ 20,887,763	\$ 19,570,961

The accompanying notes are an integral part of these statements.

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

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Contributions	\$ 2,839,274	\$ 48,085	\$ 85,960	\$ 2,973,319
United Way	-	271,053	-	271,053
Special events	91,266	-	-	91,266
FEMA Grant (footnote 14)	1,510,267	-	-	1,510,267
Emergency Food and Shelter Grant (FEMA)	127,197	-	-	127,197
Donated services and gifts in kind	93,956	-	-	93,956
Grant revenues - other	211,250	322,608	-	533,858
Local government support	23,000	-	-	23,000
SNAP Outreach	24,516	-	-	24,516
USDA commodities reimbursements	305,579	-	-	305,579
Investment income (loss)	164,299	-	-	164,299
Food donations received	11,721,665	-	-	11,721,665
Commodities received	1,801,165	-	-	1,801,165
Forgiveness of debt	100,000	-	-	100,000
Insurance proceeds	-	-	-	-
Other	38,390	-	-	38,390
Total revenues	<u>19,051,824</u>	<u>641,746</u>	<u>85,960</u>	<u>19,779,530</u>
Net assets released from restrictions				
Satisfaction of restrictions	1,048,687	(1,048,687)	-	-
Total revenues	<u>20,100,511</u>	<u>(406,941)</u>	<u>85,960</u>	<u>19,779,530</u>
EXPENSES				
Program	17,290,818	-	-	17,290,818
Administration	527,666	-	-	527,666
Fundraising	1,042,713	-	-	1,042,713
Total expenses	<u>18,861,197</u>	<u>-</u>	<u>-</u>	<u>18,861,197</u>
CHANGE IN NET ASSETS	1,239,314	(406,941)	85,960	918,333
Net assets - beginning of period	14,731,685	1,266,450	983,365	16,981,500
Net assets - end of period	<u>\$ 15,970,999</u>	<u>\$ 859,509</u>	<u>\$ 1,069,325</u>	<u>\$ 17,899,833</u>

The accompanying notes are an integral part of these statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 5,112,746	\$ 159,644	\$ 79,104	\$ 5,351,494
-	248,215	-	248,215
67,990	-	-	67,990
1,168,051	-	-	1,168,051
29,880	-	-	29,880
238,882	-	-	238,882
722,855	378,202	-	1,101,057
27,000	-	-	27,000
49,436	-	-	49,436
250,000	-	-	250,000
74,074	-	-	74,074
16,356,930	-	-	16,356,930
1,860,480	-	-	1,860,480
100,000	-	-	100,000
726,195	-	-	726,195
49,072	-	-	49,072
<u>26,833,591</u>	<u>786,061</u>	<u>79,104</u>	<u>27,698,756</u>
900,837	(900,837)	-	-
<u>27,734,428</u>	<u>(114,776)</u>	<u>79,104</u>	<u>27,698,756</u>
23,156,538	-	-	23,156,538
771,800	-	-	771,800
1,580,126	-	-	1,580,126
<u>25,508,464</u>	<u>-</u>	<u>-</u>	<u>25,508,464</u>
2,225,964	(114,776)	79,104	2,190,292
<u>12,505,721</u>	<u>1,381,226</u>	<u>904,261</u>	<u>14,791,208</u>
<u>\$ 14,731,685</u>	<u>\$ 1,266,450</u>	<u>\$ 983,365</u>	<u>\$ 16,981,500</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program	Administration	Fundraising	Total
Accounting and professional fees	\$ -	\$ 27,321	\$ 50,740	\$ 78,061
Advertising	-	-	15,001	15,001
Write down of pledges	-	-	-	-
Capital Campaign	-	-	-	-
Computer upgrade	25,199	50,397	25,199	100,795
Conferences	6,960	25,057	14,385	46,402
Contract labor	235,173	17,701	-	252,874
Depreciation	685,977	21,893	21,893	729,763
Direct mail expense	-	-	359,052	359,052
Distribution of commodities	1,749,611	-	-	1,749,611
Distribution of donated food	12,578,599	-	-	12,578,599
Dues	20,794	2,599	5,487	28,880
Food purchases with FEMA revenue	127,197	-	-	127,197
Fuel and mileage	41,268	878	1,756	43,902
In-kind expense	-	-	13,956	13,956
Insurance	95,709	35,187	9,852	140,748
Interest expense	85,631	2,733	2,733	91,097
Investment fees and expenses	-	37,972	-	37,972
Loss on disposal of assets (footnote 14)	-	-	-	-
Equipment	18,410	9,205	9,205	36,820
Miscellaneous expense	55,945	2,976	595	59,516
Payroll taxes	74,555	17,751	26,035	118,341
Postage	944	3,777	14,161	18,882
Printing and publication	2,041	1,750	25,368	29,159
Repairs and maintenance (footnote 14)	114,978	1,198	3,593	119,769
Rentals	106,952	-	-	106,952
Retirement and employee benefits	97,542	15,112	24,730	137,384
Salaries	938,671	227,098	348,217	1,513,986
Service contracts	11,621	3,296	2,428	17,345
Special event expense	-	-	31,333	31,333
Supplies	44,094	6,831	11,179	62,104
Telephone	21,117	4,097	6,304	31,518
Transportation	66,711	-	-	66,711
Training	-	82	-	82
Rent and utilities (footnote 14)	64,666	12,547	19,303	96,516
Volunteer program	80	-	-	80
Waste disposal (footnote 14)	20,373	208	208	20,789
	\$ 17,290,818	\$ 527,666	\$ 1,042,713	\$ 18,861,197

The accompanying notes are an integral part of these statements.

2016

Program	Administration	Fundraising	Total
\$ -	\$ 28,008	\$ 49,792	\$ 77,800
-	-	15,828	15,828
-	-	11,200	11,200
-	-	1,729	1,729
13,098	26,195	13,098	52,391
14,825	14,825	7,412	37,062
124,388	5,183	-	129,571
599,922	19,146	19,146	638,214
-	-	380,744	380,744
1,550,335	-	-	1,550,335
15,005,291	-	-	15,005,291
10,402	897	6,636	17,935
29,880	-	-	29,880
59,886	4,658	1,996	66,540
15,522	37,014	66,863	119,399
97,847	32,150	9,785	139,782
86,048	2,746	2,746	91,540
-	42,439	-	42,439
1,923,773	172,646	369,956	2,466,375
59,447	3,340	4,008	66,795
37,653	10,620	-	48,273
74,150	15,301	28,248	117,699
1,399	5,595	20,981	27,975
1,285	2,570	21,846	25,701
1,932,874	61,687	61,687	2,056,248
148,641	-	-	148,641
126,334	33,042	34,986	194,362
960,547	198,208	365,923	1,524,678
32,786	21,857	6,071	60,714
-	-	34,642	34,642
47,708	8,988	12,446	69,142
16,071	4,147	5,703	25,921
33,059	-	-	33,059
-	940	-	940
72,911	18,816	25,872	117,599
3,798	-	-	3,798
76,658	782	782	78,222
<u>\$ 23,156,538</u>	<u>\$ 771,800</u>	<u>\$ 1,580,126</u>	<u>\$ 25,508,464</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 918,333	\$ 2,190,292
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Permanently restricted contributions	(85,960)	(79,104)
Write down of pledges	-	11,200
Depreciation	729,763	638,214
Loss on disposal of fixed assets from Flood	-	1,740,263
Loss on inventory from Flood	-	726,113
Forgiveness of debt	(100,000)	(100,000)
Unrealized depreciation (appreciation) of investments	(129,038)	(48,150)
Net present value discount on unconditional promises to give	(1,664)	(4,928)
Imputed interest on forgivable debt	9,445	9,445
Inventory, net	411,924	(1,624,137)
Net change in:		
Accounts receivable	(40,029)	25,699
Grant receivable- FEMA	(18,914)	(1,168,051)
Unconditional promises to give	60,000	201,829
Prepaid insurance	(10,230)	637
Promise to give - United Way	-	39,250
Commodities inventory	(51,554)	(310,145)
Accrued interest payable	(735)	(1,061)
Accounts payable	92,337	75,263
Accrued expenses and other liabilities	12,325	(65)
Net cash provided by operating activities	<u>1,796,003</u>	<u>2,322,564</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Property and equipment purchases	(2,577,943)	(263,375)
Purchase of investments	(101,314)	(89,332)
Net cash used in investing activities	<u>(2,679,257)</u>	<u>(352,707)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Permanently restricted contributions	85,960	79,104
Principal payments on notes payable	(205,921)	(698,354)
Principal payments on capital lease obligations	(52,783)	-
Net cash used in financing activities	<u>(172,744)</u>	<u>(619,250)</u>
Net change in cash and cash equivalents	(1,055,998)	1,350,607
Cash and cash equivalents at beginning of year	<u>4,479,787</u>	<u>3,129,180</u>
Cash and cash equivalents at end of year	<u>\$ 3,423,789</u>	<u>\$ 4,479,787</u>
<u>Supplemental disclosure:</u>		
Interest paid	<u>\$ 99,807</u>	<u>\$ 99,924</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 (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, Federal Emergency Management Agency (FEMA) and organizations; purchased food; and the U.S. Department of Agriculture (USDA) Commodities program.

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 its contents and fixed assets. See note 14.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates have been applied in the determination of donated food values and depreciation in preparation of the accompanying financial statements.

Property and Equipment

Property and equipment are stated at cost. Additions, renewals, and betterments that extend the useful life of the assets are capitalized. Maintenance and repair expenditures are expensed as incurred. Provisions for depreciation and amortization are computed using the straight-line method over the assets' useful lives, which range from 3 to 39 years.

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

Management has evaluated Promises to Give and does not believe an allowance is necessary at December 31, 2017 or 2016.

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 \$24,000 for each of the years ended December 31, 2017 and 2016, related to rental income. 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 financial statements for December 31, 2017 or 2016. 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 by KPMG, LLP on an annual basis. The report provides the average wholesale value of products donated to the network and is considered to be a reasonable basis upon which to estimate these amounts. The average wholesale value used for the years ended December 31, 2017 and 2016, was \$1.73 and \$1.67 per pound, respectively. The Food Bank receives donated Meals Ready to Eat (MRE's) periodically. MRE's are valued using available market prices (fair value) for meals with a similar test by date. The average fair value at December 31, 2017 and 2016 was \$60. All MRE's were distributed during the year ended December 31, 2017. Donated food inventory received is recorded as unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines. Purchased food inventory is recorded at cost. The Food Bank also received donated food from FEMA which is recorded at a price provided by FEMA which approximates fair value.

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Food Inventory - 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 unrestricted revenue at an amount equal to the determined value in accordance with the aforementioned guidelines. During the year ended December 31, 2017 and 2016, the food product prices averaged \$.99 per pound and \$1.02 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. 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. 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, 2017 or 2016.

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 fair market 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 \$94,000 and \$239,000 for the years ended December 31, 2017 and 2016, respectively. The amount at December 31, 2017, consisted mainly of donated software of \$80,000. The amount at December 31, 2016, consisted mainly of donated computer and phone equipment of \$186,000.

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)

Accounting pronouncements issued but not yet adopted

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

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, 2019.

On August 18, 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under the ASU, the number of net asset classes is decreased from three to two; enhanced disclosure of underwater endowments are required; reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature is required; and qualitative information in the notes to the financial statements on how it manages its liquid available resources and liquidity risk is required. This ASU is effective for fiscal years beginning after December 15, 2017.

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

2. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Bucks for Trucks Program	\$ 70,118	\$ 107,621
Back Pack Program	78,333	167,149
Capital Campaign	473,295	735,515
United Way Promise to Give – General and Administration	113,250	113,250
Estate of Elizabeth Ferro – Garden	20,000	20,000
Adopt a Senior	13,200	3,940
Walmart Foundation – Infrastructure	-	45,216
Mobile Pantry	27,130	7,440
Food Purchases	-	56,319
Farm Fresh	64,183	10,000
	<u>\$ 859,509</u>	<u>\$ 1,266,450</u>

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

NOTES TO FINANCIAL STATEMENTS

2. TEMPORARILY RESTRICTED NET ASSETS (continued)

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors of the various programs. Capital Campaign funds of \$273,580; Bucks for Trucks Program of \$92,518; Back Pack Program of \$170,490; Food Purchases \$77,171; and United Way of \$254,409 were the primary funds released from restrictions during 2017.

Capital Campaign funds of \$294,629; Bucks for Trucks Program of \$45,718; Back Pack Program of \$86,520; Food Purchases \$174,232; and United Way of \$287,465 were the primary funds released from restrictions during 2016.

3. PERMANENTLY RESTRICTED NET ASSETS

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

	2017	2016
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	\$ <u>1,069,325</u>	\$ <u>983,365</u>

4. USDA COMMODITIES

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2017 and 2016. The objective of the program is to provide U.S. Department of Agriculture (USDA) donated commodities to low-income households through eligible organizations for home consumption. Commodities received are recorded in the accompanying financial statements as unrestricted revenue at their estimated fair value.

Activity of commodities is summarized as follows:

	2017	2016
Commodity inventory at beginning of year	\$ 410,550	\$ 192,996
Food commodities received	1,801,165	1,860,480
Distributed, discarded, and adjustment	(1,749,611)	(1,550,335)
Loss on inventory from Flood (footnote 14)	-	(92,591)
Commodity inventory at end of year	\$ 462,104	\$ 410,550

5. NOTES PAYABLE

The Organization received \$500,000 as part of a loan agreement with the Office of Community Development during the year ended December 31, 2013, which was used for the rehabilitation of the new office and warehouse. This is a principal only loan with a term of 5 years fixed amortization. Beginning in 2014, an amount equal to one fifth of the total amount of this loan is forgiven annually. During the years ended December 31, 2017 and 2016, respectively, \$100,000 was forgiven on the loan.

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

NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The Organization also received an additional \$500,000 repayable loan with the Office of Community Development during the year ended December 31, 2014. This is a principal only loan which is also for the rehabilitation of the new office and warehouse. Therefore, interest was imputed at a rate of 4%. In 2014, the present value of the note payable was \$405,545. Interest expense of \$9,445 was recorded for the years ended December 31, 2017 and 2016. The loan is due over a 10 year period with the first payment to be due ninety days after the expiration of the agreement which was December 31, 2013, or March 31, 2014. Payments totaling approximately \$46,000 and \$50,000 were made for each of the years ended December 31, 2017 and 2016, respectively.

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

	2017	2016
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	\$ 1,581,491	\$ 1,741,579
Community Development Block Grant (CDBG) repayable loan; 10 years with imputed interest of 4%; secured by the building	268,336	304,724
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building	100,000	200,000
Subtotal	1,949,827	2,246,303
Less: current portion	(211,621)	(200,850)
Long term debt- net of maturities	\$ 1,738,206	\$ 2,045,453

In May 2016, the Food Bank utilized its proceeds from a prior year sale of the old warehouse and made an additional \$500,000 payment on the loan with Bancorp South.

THE GREATER BATON ROUGE FOOD BANK
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NOTES TO FINANCIAL STATEMENTS

5. NOTES PAYABLE (continued)

The notes are expected to mature as follows:

<u>Year ending</u> <u>December 31st</u>	<u>Amount</u>
2018	\$ 211,621
2019	314,331
2020	221,352
2021	1,100,367
2022	40,555
Thereafter	<u>61,601</u>
	<u>\$ 1,949,827</u>

6. VEHICLE LEASES

The Food Bank leases delivery trucks for food distribution. In the 2016 flood, the Food Bank lost four leased trucks and three food bank owned vehicles which were replaced with the following:

Operating Leases

An operating lease was entered into in April 2016, but the truck was not put into service until October 2016. Rental expense for the leases was \$39,100 and \$148,641 for the years ended December 31, 2017 and 2016, respectively.

Capital Leases

Five capital leases were entered into on January 3, 2017. The trucks were put into service on dates ranging from May 2017 to July 2017. The total lease obligation and cost included in fixed assets for the capital leases was \$643,801 for 2017. Lease obligation principal payments totaled \$52,783 for the year ended December 31, 2017. Accumulated depreciation for these assets was \$91,972 for 2017.

The terms of the 6 leases, which range from 5 to 7 years, require annual rental payments as follows:

2018	\$ 102,019
2019	105,420
2020	108,959
2021	98,738
2022	97,937
Thereafter	<u>138,202</u>
	<u>\$ 651,275</u>

THE GREATER BATON ROUGE FOOD BANK
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BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. RETIREMENT PLAN

The Food Bank has a qualified Internal Revenue Code Section 403(b) annuity plan. The Plan covers all employees who have completed at least three months of service. The Food Bank is obligated to match up to 50% of an employee's deferred amount, up to 10% of their pay. The Food Bank has the option to match up to 100% in any one year. The Food Bank contributed \$24,661 and \$23,564 to this Plan during the years ended December 31, 2017 and 2016 respectively.

8. 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>2017</u>	<u>2016</u>
Net unrealized gains on endowment fund	\$ 129,038	\$ 48,150
Dividend and interest	<u>35,261</u>	<u>25,924</u>
	<u>\$ 164,299</u>	<u>\$ 74,074</u>

9. FUNCTIONAL ALLOCATION OF EXPENSES

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

10. COMMITMENTS AND CONTINGENCIES

The Food Bank is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Food Bank's results of operations.

11. PROMISES TO GIVE

Unconditional Promises to Give

Unconditional promises to give at December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 5,200	\$ 62,950
Receivable in one to five years	<u>-</u>	<u>2,250</u>
Total unconditional promises to give	5,200	65,200
Less: Discount to net present value	(616)	(2,280)
Net unconditional promises to give	<u>\$ 4,584</u>	<u>\$ 62,920</u>

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

NOTES TO FINANCIAL STATEMENTS

11. PROMISES TO GIVE (continued)

The discount rate used on the valuation of long-term promises to give was 2.73% for the year ended December 31, 2015, the rate of return of the 30 year U.S. Treasury Bill. There were no new pledges for the year ended December 31, 2017 and 2016.

During the years ended December 31, 2017 and 2016, \$0 and \$11,200 respectively was written off related to reduction in pledges.

12. 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.

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, 2017 and 2016.

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

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

NOTES TO FINANCIAL STATEMENTS

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2017 and 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2017	\$ -	\$ 1,609,687	\$ -
Pooled Investments at December 31, 2016	\$ -	\$ 1,379,335	\$ -

13. ENDOWMENT NET ASSETS

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

The Board of Directors of the Food Bank has interpreted the Louisiana State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. This Act was effective July 1, 2010. Upon implementation, the Food Bank classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donations, to be used to meet the mission statement of the Food Bank, can be solicited for this fund. Interest, dividends, capital gains or other earnings of the Fund are to be utilized at the discretion of the Board of Directors, and in compliance with the policies and procedures of the Board designated holder of the endowment. This policy, with the exception of the inviolate nature of the endowment that may not be altered, may only be changed by a two-thirds majority vote of the elected, voting members of the Board of Directors. The corpus of the assets of this fund is considered to be permanently restricted.

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

NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

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 \$1,609,687 and \$1,379,335 as of December 31, 2017 and 2016, respectively, are recorded at their fair value which is based on the net asset value of BRAAF's investment pool. The investments are in pooled funds primarily composed of mutual funds held at the Baton Rouge Area Foundation.

As of December 31, 2017 and 2016, all interest and dividend income and unrealized gains were classified as unrestricted.

The endowment net asset composition by type of fund was as follows as of December 31, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2017	\$ 544,057	\$ -	\$ 1,065,630	\$ 1,609,687
Donor-Restricted Endowment as of December 31, 2016	\$ 393,030	\$ -	\$ 986,305	\$ 1,379,335

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

NOTES TO FINANCIAL STATEMENTS

13. ENDOWMENT NET ASSETS (continued)

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ 393,030	\$ -	\$ 986,305	\$ 1,379,335
Investment Return:				
Investment gain	35,260	-	-	35,260
Net appreciation	129,038	-	-	129,038
Investment expenses	(13,271)	-	-	(13,271)
Contributions	-	-	79,325	79,325
Endowment net assets, December 31, 2017	<u>\$ 544,057</u>	<u>\$ -</u>	<u>\$ 1,065,630</u>	<u>\$ 1,609,687</u>

Changes in endowment funds by net asset category were as follows for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2015	\$ 329,716	\$ -	\$ 912,137	\$ 1,241,853
Investment Return:				
Investment gain	25,924	-	-	25,924
Net appreciation	48,150	-	-	48,150
Investment expenses	(10,760)	-	-	(10,760)
Contributions	-	-	74,168	74,168
Endowment net assets, December 31, 2016	<u>\$ 393,030</u>	<u>\$ -</u>	<u>\$ 986,305</u>	<u>\$ 1,379,335</u>

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

NOTES TO FINANCIAL STATEMENTS

14. 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. To complete Emergency Protective Measures necessary to reduce and prevent additional damage to the facility and prevent additional public health hazards, the Food Bank secured services to dewater, clean and stabilize the facility, incurring costs up to \$2.0 million. These costs are recorded in Repairs and maintenance, Waste disposal and other various accounts on the Statement of Operations for the year ended December 31, 2016. The value of the property and equipment lost, including its building, vehicles, and furniture and equipment, was \$2.1 million, less accumulated depreciation of \$0.4 million, and the value of the inventory lost was \$0.7 million, for a total loss of \$2.4 million recorded in expenses in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2016.

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. 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 \$1.4 million for the year ended December 31, 2016. The Food Bank believed that up to \$0.2 million could be disallowed and recorded a receivable for \$1.2 million on the Statement of Financial Position as of December 31, 2016. The full \$1.6 million was received in 2017. In 2017, The Food Bank completed its extensive renovations to the facility, and The Food Bank submitted its application for the Permanent Work Project Worksheets in the amount of \$1.2 million. At December 31, 2017, The Food Bank has recorded a receivable for approximately \$420,000 and approximately \$767,000 on the Statement of Financial Position related to the Emergency Protective Measures and Permanent Work Project Worksheets, respectively.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 25, 2018, and determined that there were no events that require additional disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
CHIEF EXECUTIVE OFFICER
YEAR ENDED DECEMBER 31, 2017

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.

THE GREATER BATON ROUGE FOOD BANK

**REPORTS ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS**

DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

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EXHIBIT A
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 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 have audited, in accordance with the 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, the financial statements of The Greater Baton Rouge Food Bank, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Greater Baton Rouge Food Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of The Greater Baton Rouge Food Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Greater Baton Rouge Food Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

Food Bank's Response to the Findings

The Greater Baton Rouge Food Bank's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Greater Baton Rouge Food's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Netterville

Baton Rouge, Louisiana
July 25, 2018

EXHIBIT B
Page 1 of 3

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Major Federal Program

We have audited The Greater Baton Rouge Food Bank's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of The Greater Baton Rouge Food Bank's major federal programs for the year ended December 31, 2017. The Greater Baton Rouge Food Bank's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Greater Baton Rouge Food Bank's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Greater Baton Rouge Food Bank's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Greater Baton Rouge Food Bank's compliance.

Opinion on Major Federal Program

In our opinion, The Greater Baton Rouge Food Bank complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Report On Internal Control Over Compliance

Management of the Greater Baton Rouge Food Bank is responsible for establishing and maintaining effective internal control over the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Greater Baton Rouge Food Bank's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Greater Baton Rouge Food Bank's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003, that we consider to be a significant deficiency.

The Greater Baton Rouge Food Bank's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Greater Baton Rouge Food's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Greater Baton Rouge Food Bank, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2018, which contained an unmodified opinion on those financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
July 25, 2018

THE GREATER BATON ROUGE FOOD BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Grant Numbers</u>	<u>Expenditures</u>	<u>Amount Provided to Sub-Recipients</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<u>Federal Agency Food and Nutrition Service, passed through from Louisiana Department of Agriculture & Forestry</u>				
Emergency Food Assistance Program (administrative costs) ¹	10.568	61a81012	\$ 305,579	\$ -
Emergency Food Assistance Program (food commodities) ¹	10.569	61a400812	1,801,165	1,801,165
<u>Passed through Louisiana Department of Children and Family Services</u>				
Supplemental Nutrition Assistance Program	10.561	LA 420142 FY 2017	<u>24,516</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>2,131,260</u>	<u>1,801,165</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
<u>Passed through Capital Area United Way</u>				
Emergency Food and Shelter National Board Program	97.024	not available	127,197	127,197
<u>Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness</u>				
Disaster Grants - Public Assistance	97.036	FEMA-4277-DR	<u>1,201,455</u>	<u>-</u>
Total Department of Homeland Security			<u>1,328,652</u>	<u>-</u>
<u>NON CASH DONATIONS</u>				
Donated Food (Direct Assistance)	99.U01	not available	<u>368,408</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,828,320</u>	<u>\$ 1,801,165</u>

¹ Food Distribution Cluster- \$2,106,744

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

THE GREATER BATON ROUGE FOOD BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Greater Baton Rouge Food Bank (Food Bank) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the estimated cost of the commodities disbursed. At December 31, 2017, the organization had USDA commodities valued at \$462,104 in inventory. The Organization received \$1,801,165 and distributed \$1,749,611 of commodities for the year ended December 31, 2017.

NOTE C – SUB-RECIPIENTS

All of the commodities and disaster relief meals distributed were done so to eligible recipient agencies considered to be sub-recipients of the Food Bank.

NOTE D – RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

Program expenses	\$ 17,290,818
Non-cash adjustments- donated food	(12,578,599)
Non-cash adjustments- depreciation	(685,977)
Non-federal expenditures	(197,922)
Total Federal Expenditures	<u>\$ 3,828,320</u>

NOTE E – DE MINIMIS INDIRECT COST RATE

The Food Bank did not elect to use the 10% de minimis indirect cost rate for the year ended December 31, 2017.

THE GREATER BATON ROUGE FOOD BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE F – NON-CASH DONATION

During the year ended December 31, 2017, the Food Bank received a non-cash donation of various food products from FEMA. Management estimated the value of each case based on current market prices. There were approximately 60,000 cases received during the year with an estimated value of \$368,408. There were no cases distributed during the year ended December 31, 2017. There were no donor restrictions related to the donation.

During the year ended December 31, 2016, the Food Bank received a non-cash donation of Meals Ready to Eat (MREs) from FEMA. There were approximately 3,000 cases remaining at December 31, 2016 with an estimated value of \$182,000. All remaining cases were distributed during 2017.

NOTE G – DISASTER GRANTS – PUBLIC ASSISTANCE

Under the Federal Emergency Management Agency (FEMA) Public Assistance program, the Food Bank has grant expenditures per the SEFA which were included in obligated project worksheets as of December 31, 2017 totaling \$1,201,455. The Food Bank recorded FEMA revenue totaling \$1,510,267 on the Statement of Financial Position as of December 31, 2017; therefore, the following reconciliation to reported federal grant revenue is provided:

FEMA – CAT B expenditures	\$	441,116
FEMA – CAT E expenditures		<u>760,339</u>
Total FEMA expenditures per SEFA		1,201,455
Add: Eligible expenditures incurred in FY 2017, to be approved by FEMA on a revised project worksheet in the following fiscal year		
		<u>308,812</u>
FEMA grant revenue per financial statements	\$	<u>1,510,267</u>

During 2017, FEMA approved eligible expenditures which were incurred during 2016 totaling \$441,116. These expenditures were recognized on the SEFA as of December 31, 2017.

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

A. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes no

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance

- The threshold for distinguishing types A and B programs was \$750,000.
- The Greater Baton Rouge Food Bank did qualify as a low-risk auditee.

Findings– Financial Statements

2017-001 Inventory

Criteria: A system of internal controls over the physical inventory of food product is necessary to ensure that the Organization can accurately report year-to-date activity in the financial statements, as well as safeguarding the inventory from potential loss.

Condition: During our audit procedures of inventory, we noted that with the implementation of the new perpetual inventory system, that several of the policies and procedures, including key controls, have changed and/or do not include requirements for written documentation.

Cause: The Food Bank had a system conversion, staff turnover and was significantly impacted by the flooding in August 2016, which have changed the daily operations and related key controls.

Effect: Food product inventory is a significant asset for the Food Bank and the current process for tracking pertinent information could be enhanced with written policies and procedures for controls over inventory that are considered key, such as monthly inventory counts and monthly variances within an established range.

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Findings– Financial Statements (continued)

2017-001 Inventory (continued)

Recommendation: The Organization should enhance the written documentation of internal controls related to the physical inventory counts for the food product inventory, as a result of the new inventory system.

View of Responsible Official

Now that all installations of the new inventory system have been completed, the Food Bank will document its policies and procedures for inventory control, including the acceptable inventory variance of 2%. Monthly, the Food Bank will document any inventory count variance which will be reviewed with the COO, CFO and CEO to ensure that the variance is within the Food Bank's 2% acceptable variance level.

2017-002 Non-compliance with State Audit Law

Criteria: In accordance with R.S. 24:513, any local auditee that receives \$500,000 or more in revenues and other sources in any one fiscal year shall be audited annually. The due date of the audit report is six months after the Organization's fiscal year end.

Condition: The Organization was required to have an audit completed by the filing of June 30, 2018 (six months after its fiscal year end) and the Organization did not meet this filing deadline.

Cause: The Organization was significantly impacted by the Great Flood of 2016 and did not return to their facility until May 2017. Given the impact to operations and personnel resource constraints, there was a delay in the final financial close out procedures of the accounting records.

Effect: The Organization was granted an extension of time to file their annual financial report with the Louisiana Legislative Auditor. The report is required to be submitted no later than July 31, 2018. The Organization may be required to explain to the Legislative Audit Advisory Council why they are not in compliance with the audit law.

Recommendation: The Organization should ensure that they complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with *Government Auditing Standards* and meet future deadlines.

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Findings– Financial Statements (continued)

2017-002 Non-compliance with State Audit Law (continued)

View of Responsible Official

The Food Bank will complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with Government Auditing Standards and regulatory reporting requirements.

Findings and Questioned Costs – Major Federal Awards Programs

2017-003 Preparation of Schedule of Expenditures and Federal Awards

97.036 Disaster Grants – Public Assistance

Questioned Costs: None

Criteria: The Uniform Guidance Subpart F section 200.510 requires the preparation of the Schedule of Expenditures of Federal Awards (SEFA) that includes an accurate reporting of federal awards expended based on the terms and conditions of the grants along with the amount of funds disbursed to sub-recipients. In order for the SEFA to be prepared accurately and properly report the amounts expended for federal awards, a system of controls should be in existence that includes the timely preparation and review of the amounts reported on the SEFA.

Non-federal entities must record expenditures on the SEFA when (1) FEMA has approved the non-Federal entity's project worksheet (PW), and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years.

Universe/
Population size: None

Sample size: None

THE GREATER BATON ROUGE FOOD BANK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

Findings and Questioned Costs – Major Federal Awards Programs (continued)

2017-003 Preparation of Schedule of Expenditures and Federal Awards (continued)

97.036 Disaster Grants – Public Assistance

Condition: The Organization's initial SEFA prepared included expenditures for one vendor that were included on an approved PW in fiscal year 2017, but incurred in the year subsequent to the fiscal year.

Effect: The SEFA provided to us for audit did not contain the correct amounts of federal expenditures based on the terms of the grant awards and the PW for one of the federal programs reported.

Cause: The grant awards were not properly interpreted or reviewed to determine the proper amount to be reported as expenditures on the SEFA.

Recommendation: The Organization should strengthen its controls including its review and approval processes over the information and balances that is accumulated and reported on the SEFA to make sure the expenditures reported are an accurate representation of federal costs.

View of Responsible Official:

The management of the Food Bank will increase their training on the Uniform Guidance specifically around Subpart F section 200.510 and validate any potential interpretations thereof to ensure federal expenditures are reported accurately on the SEFA.

THE GREATER BATON ROUGE FOOD BANK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings– Financial Statements

2016-001 Physical Inventory Counts

- Criteria: A system of internal controls over the physical inventory of food product is necessary to ensure that the Organization can accurately report year-to-date activity in the financial statements, as well as safeguarding the inventory from potential loss.
- Condition: During our audit procedures over the year-end inventory count, we noted that there were several discrepancies between the inventory tracking system and the inventory items selected for testing.
- Cause: Physical inventory counts are conducted on a monthly basis by the Organization staff and balances are adjusted to the inventory tracking system. However, during the year the Food Bank had a system conversion, staff turnover and was significantly impacted by the flooding in August 2016, which lead to discrepancies in the physical counts and inventory system records at year end.
- Effect: Discrepancies were noted in the monthly inventory counts for the food product, which then required adjustments to the inventory tracking system. Food product inventory is a significant asset for the Food Bank and the current process for tracking pertinent information such as receipts, distributions and discards was not accurately reflected in the inventory tracking system. This is considered a significant deficiency in internal control.
- Recommendation: The Organization should enhance the internal controls related to the physical inventory counts for the food product inventory. We recommend that management review the current procedures over the physical inventory counts, with any large discrepancies being investigated and explained in a timely manner.

View of Responsible Official

The Food Bank will continue to perform our physical inventory counts on a monthly basis and appropriately adjust inventory balances to the inventory tracking system. However, prior to making any adjustments into the inventory tracking system, the variances between the physical counts and the inventory system must be reviewed by a member of management to ensure all significant differences are fully investigated and confirmed to be accurately reflected in the inventory tracking system.

Management is also in the process of developing a new automated inventory tracking system called Flowtrac, which will incorporate a greater level of systematic controls and improve the processes across all functions of inventory including receipts, distributions, transfers, and discards to ensure the accuracy of inventory.

Current Status: Resolved

THE GREATER BATON ROUGE FOOD BANK
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings and Questioned Costs – Major Federal Awards Programs

- None.

THE GREATER BATON ROUGE FOOD BANK

REPORT TO MANAGEMENT

DECEMBER 31, 2017



Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

THE GREATER BATON ROUGE FOOD BANK

REPORT TO MANAGEMENT

DECEMBER 31, 2017

July 25, 2018

Members of the Board and Management
The Greater Baton Rouge Food Bank
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of The Greater Baton Rouge Food Bank (the Food Bank), for the year ended December 31, 2017, we considered the Food Bank's internal controls over financial reporting and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. Our consideration does not provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matters that represent opportunities for improving financial reporting, refining policies and procedures, including those that help ensure compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated July 25, 2018 on the financial statements of the Food Bank.

Retirement Plan

Condition: During our audit, we noted that the Food Bank has not filed Form 5500, *Annual Return/Report of Employee Benefit Plan* for the years ending December 31, 2008 through December 31, 2017 for the qualified Internal Revenue Code Section 403(b) annuity plan.

Recommendation: We recommend that management assess the status of Form 5500, for the plan years ending 2008 to 2017 and complete the required filings for 403(b) plan.

Management's Response: Management of the Food Bank plans to file Form 5500, *Annual Return/Report for Employee Benefit Plan* for the years ending December 31, 2008 through December 31, 2017. This is a result of identifying the fact that the third-party believed to be performing this function was not doing so.

Enhancement of Policies and Procedures

Condition: During our audit, we noted that the Organization could enhance their policies and procedures over timely preparation and review of bank reconciliations, vacation time and approval of disbursements.

Our audit procedures also disclosed that minutes of the meetings of the Finance Committee are not maintained. As a result, there is no documentation regarding the discussion that may have taken place at a meeting of the committee, and likewise, no documentation regarding official actions of the committee that may have had a financial impact.

Recommendation: We recommend that the Organization review and update their policies and procedures as needed for the current operations. We also recommend that the minutes be prepared and retained for all meetings of the Finance Committee.

Management's Response: Now that the Food Bank has implemented its new inventory system, management will document all current policies and procedures as need for any changes in operations. Management will also ensure that minutes of all Finance Committee meetings are prepared and retained.

We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience to perform any additional study of these matters, or to assist you in implementing the recommendations. We would also like to thank the Food Bank staff for their patience and cooperation with us during the performance of the audit.

Sincerely,

Postlethwaite & Netterville

GREATER BATON ROUGE FOOD BANK
REPORT ON STATEWIDE AGREED-UPON PROCEDURES
AND ASSOCIATED RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Board of Directors of
Greater Baton Rouge Food Bank and the
Louisiana Legislative Auditor

We have performed the procedures enumerated in Schedule A, which were agreed to by The Greater Baton Rouge Food Bank (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
June 25, 2018

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

In June 2018, the LLA issued the Year 2 Statewide Agreed Upon Procedures for fiscal years ending June 6/30/18 through 5/31/2019. Any entity with a fiscal year ending prior to June 30, 2018, has the option of using the updated procedures. The Food Bank has elected to use certain Year 2 procedures as noted throughout the report.

Written Policies and Procedures – Year 2 Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

No written policy noted.

- b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

No written policy noted.

- c) ***Disbursements***, including processing, reviewing, and approving

No written policy noted.

- d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

No written policy noted.

- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No written policy noted for attribute (1). A policy was noted for attribute (2).

- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

No written policy noted.

- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No written policy noted.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No written policy noted for attributes (1) and (2). Written policies noted for attributes (3) and (4).

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Not applicable.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

No written policy noted.

Board or Finance Committee - Year 1 Procedures

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The Board of Directors is required to meet a minimum of six times per year. Eight meetings were held throughout the 2017 fiscal year.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

No exceptions noted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions noted.

Bank Reconciliations – Year 1 Procedures

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No exceptions noted.

GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017

Schedule A

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

From the listing provided, only 3 of the accounts appeared to have activity during the 2017 fiscal year. We selected these 3 accounts and obtained the bank reconciliations for each of the twelve months ending December 31, 2017, resulting in 36 bank reconciliations obtained and subjected to the below procedures.

- a) Bank reconciliations have been prepared;

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Per review of the support provided, there was no evidence of a review performed by a member of management or a board member for any of the 36 bank reconciliations selected for testing.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

A total of 2 bank reconciliations included reconciling items outstanding for more than 6 months. The CFO is aware of the reconciling items and knows the purpose of all outstanding items. However, there was no documentation of management's research of these reconciling items and the items have not been written off or cleared.

Collections – Year 2 Procedures

5. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

No exceptions noted.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

6. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

The Food Bank only has one cash location site. This site was selected for testing and subjected to the below procedures.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Not applicable.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

No exceptions noted.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

No exceptions noted.

7. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

No exceptions noted.

8. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

- a) Observe that receipts are sequentially pre-numbered.

Not applicable.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Not applicable.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

One out of 10 collections selected for testing was deposited two days after receipt of the collection.

- e) Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases) – Year 1 Procedures

9. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

No exceptions noted.

10. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Eight of the 25 disbursements selected for testing did not have a purchase order. The remaining 17 disbursements did not require a purchase order as the disbursement was for a service.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Eight of the 25 disbursements selected for testing did not have evidence of approval by someone other than the individual that initiated the purchase. The remaining 17 disbursements were outsourced.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Five of the 25 disbursements tested did not have a receiving report showing receipt of goods purchased.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

It was noted that the CFO has the ability to process payments and add vendors to the entity's purchasing/disbursement system.

12. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No exceptions noted.

13. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted.

14. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards – Year 2 Procedures

15. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted.

GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017

Schedule A

16. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Management provided a listing of 16 credit cards in use during the 2017 fiscal year. Five of these credit cards were selected and subjected to the procedures below.

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

For all five cards selected for testing, there is evidence of a review performed; however, there is no sign-off evidencing who performed the review. Therefore, we cannot determine if this review was performed by someone other than the authorized card holder.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

17. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Of the five cards selected for testing under #16, two of these cards were fuel cards. We selected up to 10 transactions from each of the three remaining statements, resulting in 24 transactions selected for testing. The following exceptions were noted:

(1) Three of the 24 transactions were missing an itemized receipt

(2) 17 of the 24 transactions did not have documentation of a business purpose

(3) One of the 24 transactions was a meal charge and there was no documentation of the individuals participating in the meal

Travel and Travel-Related Expense Reimbursements (excluding card transactions) – Year 2 Procedures

18. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

No exceptions noted.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Not applicable.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

The five expenses selected for testing did not have evidence of review and approval by someone other than the person receiving the reimbursement.

Contracts – Year 2 Procedures

19. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

No exceptions noted.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

No exceptions noted.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

Payroll and Personnel – Year 2 Procedures

20. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Per review of the Payroll listing provided by management, three of the five employee paid salaries selected for testing did not agree to the authorized salaries/pay rates.

21. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #20 above, obtain attendance records and leave documentation for the pay period, and:

The first pay period of February 2017 was selected and subjected to the below procedures.

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

No exceptions noted.

22. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

No exceptions noted.

GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017

Schedule A

23. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

The Food Bank has not filed Form 5500, Annual Return/Report of Employee Benefit Plan for the years ending December 31, 2008 through December 31, 2017 for the qualified Internal Revenue Code Section 403(b) annuity plan.

Ethics - Year 2 Procedures

24. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

Not applicable.

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Not applicable.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Not applicable.

Debt Service - Year 2 Procedures

25. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Not applicable.

26. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable.

**GREATER BATON ROUGE FOOD BANK
AGREED-UPON PROCEDURES AND ASSOCIATED RESULTS
DECEMBER 31, 2017**

Schedule A

Other – Year 1 Procedures

27. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions noted.

28. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

The notice required by R.S. 24:523.1 was not posted on the website or premises.

29. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

**Greater Baton Rouge Food Bank
Responses to Statewide Agreed Upon Procedures
For the period ending December 31, 2017**

1A-J. Obtain and inspect the entity's written policies and procedures.

Management Response: The Food Bank has well established policies and procedures, we will make efforts to document those policies and procedures in written format.

4B. Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation.

Management Response: As the CFO prepares the bank reconciliations, the CEO will review and approve bank reconciliations on a monthly basis.

4C. If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Management Response: In the monthly bank reconciliation process, the CFO will include in her procedures to document management's research of reconciling items greater than \$1,000 and will write off any reconciling items that have aged greater than 6 months.

8D. Observe that the deposit was made within one business day of receipt at the collection location.

Management Response: Management's best practice is to deposit and thank our donors within 72 hours of receipt. Due to the size of our organization and unforeseen circumstances, this practice may not always be successful. In 2018, management is working towards implementing a lockbox system to assist in their depositing and data capturing process.

10A-B. Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system. Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Management Response: Management will establish and document a purchasing policy. The purchasing policy will require all purchases greater than \$250 to complete a purchase order and have the purchase order approved by a manager within their authority limits prior to purchase.

10C. Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Management Response: The majority of the organization's disbursements are service related. For any food purchases, all receiving paperwork are retained and agreed to the supporting invoices prior to payment. All other purchases such as supplies are considered insignificant to total disbursements to warrant a policy of retaining the receiving report. The accounting department will work on retaining receiving reports and documenting their review of the receiving report to the invoice prior to payment.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

Management's Response: Due to the size of the organization, management is aware that there is limited control over the CFO's ability to process payments and add vendors; however, management believes that we have mitigating controls that lowers the level of risk of fraud to an acceptable level. The mitigating control includes that all checks must be signed by the CEO or a member of the executive committee of the Board of Directors. The CFO does not have the authority to sign checks.

16A. Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Management Response: The review of the credit card statements to their supporting receipts are performed by the accounting department, which includes an accountant and the CFO. The CFO's sign off is evidenced not in writing but electronically through the accounting system by processing the request for payment. All invoices are posted by the CFO into the accounting system. The CEO also reviews each statement and evidences his review and approval through his signature on the check. The accounting department will begin to sign off in writing on the credit card statement once their review is complete.

17. Using the monthly statements or combined statements selected under # 12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Management Response: The accounting department will update our review procedures to ensure all receipts have a business purpose documented on the receipt and if the receipt is for a meal, ensure all individuals participating in the meal are listed on the receipt. Management will continue to remind staff of the importance of retaining documentation of their purchases. Management also has a policy that if an individual consistently has missing receipts for a period of time (i.e. three months) that employee will receive verbal disciplinary notice and continue on our disciplinary protocols if the problem continues.

18D. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Management Response: All reimbursement requests are reviewed and approved by the CFO and CEO. The CFO's sign off is evidenced not in writing but electronically through the accounting system by processing the request for payment. All reimbursement request are posted by the CFO into the accounting system. The CEO evidences his review and approval through his signature on the check.

20. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management Response: One of the three exceptions was recalculated with \$100 and not considered an exception by management as it was deemed immaterial. The remaining two employees had promotions/job changes during the year. Due to the size of the organization, the updated salaries were verbally approved by the COO, CFO and CEO. A policy and procedure will be written that will require all salary changes to be approved in writing/email by the CEO and retained by the CFO for organizational record keeping purposes.

23. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management Response: Management of the Food Bank plans to file Form 5500, Annual Return/Report of Employee Benefit Plan for the years ending December 31, 2008 through December 31, 2017 by December 31, 2018. This is a result of identifying the fact that the third-party believed to be performing this function was not so doing.

28. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523 .1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management Response: The notice required by R.S. 24:523 .1 has now been posted to the website and premises.



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PRESIDENT/CEO
Michael G. Manning

TAX ID # 72-1065318
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Submitted To:

Ms. Candace Wright, CPA
Audit Director
Postlethwaite & Netterville
8550 United Plaza Blvd, Suite 1001
Baton Rouge, LA 70809

The Greater Baton Rouge Food Bank respectfully submits the following corrective action plan for the year ended December 31, 2017 for the corrective actions implemented.

RESPONSE TO FINDINGS:

2017-001 Inventory

Response: *Now that all installations of the new inventory system have been completed, the Food Bank will document its policies and procedures for inventory control, including the acceptable inventory variance of 2%. Monthly, the Food Bank will document any inventory count variance which will be reviewed with the COO, CFO and CEO to ensure that the variance is within the Food Bank's 2% acceptable variance level.*

Estimated Time of Completion: August 31, 2018.

Estimated Cost of Implementation: Not Applicable

2017-002 Non-compliance with State Audit Law

Response: *The Food Bank will complete year-end close out procedures on a timely basis to allow sufficient time for the auditor to complete their procedures in accordance with Government Auditing Standards and regulatory reporting requirements*

Estimated Time of Completion: April 30, 2019

Estimated Cost of Implementation: Not Applicable

2017-003 Preparation of Schedule of Expenditures and Federal Awards

Response: *The management of the Food Bank will increase their training on the Uniform Guidance specifically around Subpart F section 200.510 and validate any potential interpretations thereof to ensure federal expenditures are reported accurately on the SEFA.*

Estimated Time of Completion: December 31, 2018

Estimated Cost of Implementation: \$100-\$1,000

Together We're Fighting Hunger



Signature: *Michael Masvingo*

Date: 7/30/18

Signature: *Josana Scherzmayder*

Date: 7/30/18