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**THE GREATER BATON ROUGE FOOD BANK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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Postlethwaite & Netterville

A Professional Accounting Corporation

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**THE GREATER BATON ROUGE FOOD BANK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

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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, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the years then ended, and the related notes to the 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, 2018 and 2017, 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 1 to the financial statements, The Greater Baton Rouge Food Bank adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. 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 24 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reports Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 25, 2019, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Postlethwaite & Netterville*

Baton Rouge, Louisiana  
June 25, 2019

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

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

**ASSETS**

	2018	2017
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 3,478,216	\$ 2,596,154
Restricted cash	575,914	827,635
Total cash	4,054,130	3,423,789
Other receivables	53,440	110,329
Grant receivable - FEMA (footnote 14)	291,770	1,186,965
Prepaid expenses	46,886	42,591
Unconditional promises to give	4,334	4,584
Promise to give - United Way	92,865	113,250
Food inventory - donated and purchased	1,001,028	1,943,873
Food inventory - commodities	440,822	462,104
Other current assets	13,956	-
Total current assets	5,999,231	7,287,485
 <b><u>PROPERTY AND EQUIPMENT</u></b>		
Land	500,000	500,000
Building and building improvements	11,507,633	11,378,268
Construction in process	264,875	-
Vehicles	280,181	280,181
Furniture, fixtures, and equipment	1,968,609	1,908,732
Leased equipment	643,801	643,801
	15,165,099	14,710,982
Less: Accumulated depreciation	(3,548,051)	(2,720,391)
Total property and equipment, net	11,617,048	11,990,591
 <b><u>OTHER ASSETS</u></b>		
Investments (footnote 12)	1,658,405	1,609,687
Long-term portion of unconditional promises to give	-	-
Total other assets	1,658,405	1,609,687
 Total assets	 \$ 19,274,684	 \$ 20,887,763

The accompanying notes are an integral part of these statements.

**LIABILITIES AND NET ASSETS**

	<u>2018</u>	<u>2017</u>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	\$ 404,983	\$ 356,579
Accrued expenses and other liabilities	78,994	85,938
Accrued interest payable	4,086	4,568
Note payable - current portion	259,053	211,621
Lease obligation - current portion	86,880	83,479
Total current liabilities	<u>833,996</u>	<u>742,185</u>
<b><u>LONG-TERM LIABILITIES</u></b>		
Note payable - less current portion	1,433,516	1,738,206
Lease obligation - less current portion	420,662	507,539
Total long-term liabilities	<u>1,854,178</u>	<u>2,245,745</u>
Total liabilities	<u>2,688,174</u>	<u>2,987,930</u>
<b><u>NET ASSETS</u></b>		
Without donor restriction	14,845,573	15,970,999
With donor restriction	1,740,937	1,928,834
Total net assets	<u>16,586,510</u>	<u>17,899,833</u>
Total liabilities and net assets	<u>\$ 19,274,684</u>	<u>\$ 20,887,763</u>

**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, 2018 AND 2017**

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>REVENUES AND OTHER SUPPORT</u></b>			
Contributions	\$ 2,872,350	\$ 319,272	\$ 3,191,622
United Way	50,373	185,730	236,103
Special events	69,845	-	69,845
FEMA Grant (footnote 14)	225,000	-	225,000
Emergency Food and Shelter Grant (FEMA)	57,031	-	57,031
Donated services and gifts in kind	80,213	-	80,213
Grant revenues - other	53,062	302,366	355,428
Local government support	23,000	-	23,000
SNAP Outreach	21,925	-	21,925
USDA commodities reimbursements	316,923	-	316,923
Investment income (loss), net	(37,352)	-	(37,352)
Food donations received	10,253,853	-	10,253,853
Purchased food program	64,401	-	64,401
Commodities received	2,421,441	-	2,421,441
Forgiveness of debt	100,000	-	100,000
Other	55,653	-	55,653
Total revenues and other support	16,627,718	807,368	17,435,086
Net assets released from restrictions			
Satisfaction of restrictions	995,265	(995,265)	-
Total revenues	17,622,983	(187,897)	17,435,086
<b><u>EXPENSES</u></b>			
Program - food distribution	17,117,463	-	17,117,463
Supporting services			
Management and general	569,974	-	569,974
Fundraising	1,060,972	-	1,060,972
Total supporting services	1,630,946	-	1,630,946
Total expenses	18,748,409	-	18,748,409
<b><u>CHANGE IN NET ASSETS</u></b>	(1,125,426)	(187,897)	(1,313,323)
Net assets - beginning of period	15,970,999	1,928,834	17,899,833
Net assets - end of period	\$ 14,845,573	\$ 1,740,937	\$ 16,586,510

The accompanying notes are an integral part of these statements.

2017

Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,839,274	\$ 134,045	\$ 2,973,319
-	271,053	271,053
91,266	-	91,266
1,510,267	-	1,510,267
127,197	-	127,197
93,956	-	93,956
211,250	322,608	533,858
23,000	-	23,000
24,516	-	24,516
305,579	-	305,579
151,027	-	151,027
11,721,665	-	11,721,665
-	-	-
1,801,165	-	1,801,165
100,000	-	100,000
38,390	-	38,390
<u>19,038,552</u>	<u>727,706</u>	<u>19,766,258</u>
<u>1,048,687</u>	<u>(1,048,687)</u>	<u>-</u>
<u>20,087,239</u>	<u>(320,981)</u>	<u>19,766,258</u>
17,290,818	-	17,290,818
514,394	-	514,394
<u>1,042,713</u>	<u>-</u>	<u>1,042,713</u>
<u>1,557,107</u>	<u>-</u>	<u>1,557,107</u>
<u>18,847,925</u>	<u>-</u>	<u>18,847,925</u>
1,239,314	(320,981)	918,333
<u>14,731,685</u>	<u>2,249,815</u>	<u>16,981,500</u>
<u>\$ 15,970,999</u>	<u>\$ 1,928,834</u>	<u>\$ 17,899,833</u>

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

**STATEMENTS OF FUNCTIONAL EXPENSES BY NATURE AND CLASS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018			
	Program Expense -Food Distribution	Supporting Services		Total
		Management and General	Fundraising	
Accounting and professional fees	\$ -	\$ 37,948	\$ 50,303	\$ 88,251
Advertising	-	-	19,227	19,227
Computer upgrade	54,018	56,178	105,875	216,071
Conferences	4,341	15,915	15,915	36,171
Contract labor	156,870	13,791	1,724	172,385
Depreciation	777,999	24,830	24,830	827,659
Direct mail expense	-	-	307,219	307,219
Distribution of commodities	2,442,723	-	-	2,442,723
Distribution of food	11,752,001	-	-	11,752,001
Dues	9,099	3,966	10,266	23,331
Food purchases with FEMA revenue	57,031	-	-	57,031
Fuel and mileage	45,631	971	1,942	48,544
In-kind expense	-	34,563	30,650	65,213
Insurance	126,487	43,367	10,842	180,696
Interest expense	86,601	2,764	2,764	92,129
Bank fees	-	29,318	-	29,318
Equipment	29,665	3,955	5,933	39,553
Miscellaneous expense	25,930	1,995	567	28,492
Payroll taxes	76,912	16,315	23,307	116,534
Postage	1,307	5,229	19,606	26,142
Printing and publication	343	686	33,280	34,309
Repairs and maintenance	93,712	9,476	2,106	105,294
Rentals	57,389	-	-	57,389
Retirement and employee benefits	112,558	25,200	30,241	167,999
Salaries	995,791	211,229	301,755	1,508,775
Service contracts	1,512	5,292	3,996	10,800
Special event expense	-	-	23,594	23,594
Supplies	57,556	12,886	15,463	85,905
Telephone	20,101	4,711	6,596	31,408
Transportation	80,066	-	-	80,066
Training	-	-	-	-
Rent and utilities	38,207	8,955	12,537	59,699
Volunteer program	-	-	-	-
Waste disposal	13,613	434	434	14,481
	<u>\$ 17,117,463</u>	<u>\$ 569,974</u>	<u>\$ 1,060,972</u>	<u>\$ 18,748,409</u>

The accompanying notes are an integral part of these statements.

2017			
Program Expense -Food Distribution	Supporting Services		
	Management and General	Fundraising	Total
\$ -	\$ 27,321	\$ 50,740	\$ 78,061
-	-	15,001	15,001
25,199	50,397	25,199	100,795
6,960	25,057	14,385	46,402
235,173	17,701	-	252,874
685,977	21,893	21,893	729,763
-	-	359,052	359,052
1,749,611	-	-	1,749,611
12,578,599	-	-	12,578,599
20,794	2,599	5,487	28,880
127,197	-	-	127,197
41,268	878	1,756	43,902
-	-	13,956	13,956
95,709	35,187	9,852	140,748
85,631	2,733	2,733	91,097
-	24,701	-	24,701
18,410	9,205	9,205	36,820
55,945	2,975	595	59,515
74,555	17,751	26,035	118,341
944	3,777	14,161	18,882
2,041	1,750	25,368	29,159
114,978	1,198	3,593	119,769
106,952	-	-	106,952
97,542	15,112	24,730	137,384
938,671	227,098	348,217	1,513,986
11,621	3,296	2,428	17,345
-	-	31,333	31,333
44,094	6,831	11,179	62,104
21,117	4,097	6,304	31,518
66,711	-	-	66,711
-	82	-	82
64,666	12,547	19,303	96,516
80	-	-	80
20,373	208	208	20,789
<u>\$ 17,290,818</u>	<u>\$ 514,394</u>	<u>\$ 1,042,713</u>	<u>\$ 18,847,925</u>

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

**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ (1,313,323)	\$ 918,333
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Endowment contributions	(91,607)	(85,960)
Depreciation	827,659	729,763
Forgiveness of debt	(100,000)	(100,000)
Unrealized depreciation (appreciation) of investments	64,256	(129,038)
Net present value discount on unconditional promises to give	-	(1,664)
Imputed interest on forgivable debt	9,445	9,445
Food inventory - donated and purchased, net	942,845	411,924
Net change in:		
Other receivables	56,889	(40,029)
Grant receivable- FEMA	895,195	(18,914)
Unconditional promises to give	250	60,000
Prepaid expenses	(4,295)	(10,230)
Promise to give - United Way	20,385	-
Food inventory - commodities	21,282	(51,554)
Accrued interest payable	(482)	(735)
Accounts payable	48,404	92,337
Accrued expenses and other liabilities	(6,944)	12,325
Other current assets	(13,956)	-
Net cash provided by operating activities	<u>1,356,003</u>	<u>1,796,003</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Property and equipment purchases	(454,116)	(2,577,943)
Purchase of investments	(112,974)	(101,314)
Net cash used in investing activities	<u>(567,090)</u>	<u>(2,679,257)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Endowment contributions	91,607	85,960
Principal payments on notes payable	(166,703)	(205,921)
Principal payments on capital lease obligations	(83,476)	(52,783)
Net cash used in financing activities	<u>(158,572)</u>	<u>(172,744)</u>
Net change in cash and cash equivalents	630,341	(1,055,998)
Cash and cash equivalents at beginning of year	<u>3,423,789</u>	<u>4,479,787</u>
Cash and cash equivalents at end of year	<u>\$ 4,054,130</u>	<u>\$ 3,423,789</u>
<b><u>Supplemental disclosure:</u></b>		
Interest paid	<u>\$ 101,092</u>	<u>\$ 99,807</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); 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 the following net asset classifications:

**New Accounting Pronouncements Adopted**

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Food Bank has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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

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

**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)

**Use of Estimates**

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

**Property and Equipment**

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

**Revenue Recognition and Promises to Give**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the 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, 2018 or 2017.

**Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. The Organization had unrelated business taxable income of \$26,000 and \$24,000 related to rental income for the years ended December 31, 2018 and 2017, respectively. The Organization filed Form 990T in relation to this business income, however, no material amount of income tax was paid due to the related expenses that were deductible from the income. Accordingly, no provision for income taxes on related income has been included in the financial statements for December 31, 2018 or 2017.

**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)

**Income Taxes** (continued)

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, 2018 and 2017, was \$1.68 and \$1.73 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 was \$60. All MRE's were distributed during the year ended December 31, 2017. Donated food inventory received is recorded as net assets without donor restrictions 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.

**Food Inventory - Commodities**

The Food Bank records commodities inventory as determined by the commodities price listing produced by the Louisiana Department of Agriculture and Forestry. Commodities inventory received is recorded as net assets without donor restrictions at an amount equal to the determined value in accordance with the aforementioned guidelines. During the years ended December 31, 2018 and 2017, the food product prices averaged \$1.03 per pound and \$.99 per pound, respectively.

**Investments**

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

**Cash and Cash Equivalents**

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

**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)

**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, 2018 or 2017.

**Donated Services and Materials**

A significant portion of the Food Bank's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the 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 are reflected as contributions in kind and supporting services on the accompanying financial statements of activities and statements of functional expenses 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 \$80,000 and \$94,000 for the years ended December 31, 2018 and 2017, respectively. The amount at December 31, 2018, consisted mainly of donated professional services of \$35,000. The amount at December 31, 2017, consisted mainly of donated software of \$80,000.

**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 (Topic 606)*, 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. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. This standard will be effective for annual 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. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings. The standard is effective for annual periods beginning after December 15, 2019.

**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** (continued)

In June 2018, the FASB issued ASU No. 2018-08 “*Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*” to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for years ending June 30, 2020.

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

**Reclassifications**

Certain reclassifications have been made to the 2017 financial statements in order for them to be consistent with the 2018 presentation.

**2. AVAILABILITY AND LIQUIDITY**

The following represents the Food Bank’s financial assets at December 31, 2018 and 2017:

Financial assets at year end:	2018	2017
Cash and cash equivalents	\$ 3,478,216	\$ 2,596,154
Other receivables	53,440	110,329
Promise to give - United Way	92,865	113,250
Investments	<u>1,658,405</u>	<u>1,609,687</u>
Total financial assets	5,282,926	4,429,420
Less amounts not available to be used within one year:		
Endowment fund - donor restricted	1,151,700	1,065,630
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,131,226</u>	<u>\$ 3,363,790</u>

The Food Bank’s cash flows have seasonal variations during the year attributable to a concentration of contributions received during holidays and at calendar year-end. To manage liquidity, the Food Bank maintains certain cash and cash equivalents of over \$828,000 of the \$4.1 million as of December 31, 2018 and \$3.4 million as of December 31, 2017, as noted above that could meet any operating cash flow needs for an extended period as well as any major maintenance and repairs needed on their facility.

In addition, as of December 31, 2018 and 2017, the Food Bank had \$506,705 and \$544,057, respectively, in funds without donor restrictions in their endowment that could be made available for general operations with Board approval.

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

**NOTES TO FINANCIAL STATEMENTS**

**3. NET ASSETS**

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

	2018	2017
<b>Specific Purpose</b>		
Bucks for Trucks Program	\$ 50,955	\$ 70,118
Back Pack Program	29,048	78,333
United Way Promise to Give – General and Administration	92,865	113,250
Estate of Elizabeth Ferro – Garden	20,000	20,000
Adopt a Senior	27,213	13,200
Mobile Pantry	14,378	27,130
Food Purchases	10,630	-
Farm Fresh	87,709	64,183
<b>Passage of Time</b>		
Capital Campaign	248,707	473,295
	\$ 581,505	\$ 859,509
<b>Endowment Fund</b>		
Endowment Fund (principal unexpendable; earnings can be used for general mission statement of Food Bank)	1,159,432	1,069,325
Total net assets with donor restrictions	\$ 1,740,937	\$ 1,928,834

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 \$227,746; Bucks for Trucks Program of \$101,913; Back Pack Program of \$193,434; Food Purchases \$109,520; Farm Fresh Program of \$112,833; and United Way of \$206,115 were the primary funds released from net assets with donor restrictions during 2018.

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.

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Undesignated	\$ 14,338,868	\$ 15,426,942
Endowment net assets	506,705	544,057
	\$ 14,845,573	\$ 15,970,999

**4. USDA COMMODITIES**

The Food Bank participated in the USDA Commodities program during the years ended December 31, 2018 and 2017. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**4. USDA COMMODITIES** (continued)

Activity of commodities is summarized as follows:

	<u>2018</u>	<u>2017</u>
Commodity inventory at beginning of year	\$ 462,104	\$ 410,550
Food commodities received	2,421,441	1,801,165
Distributed, discarded, and adjustment	<u>( 2,442,723)</u>	<u>( 1,749,611)</u>
Commodity inventory at end of year	<u>\$ 440,822</u>	<u>\$ 462,104</u>

**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, 2018 and 2017, respectively, \$100,000 was forgiven on the loan.

The Organization also received an additional \$500,000 repayable loan with the Office of Community Development during the year ended December 31, 2014. This is a principal only loan which is also for the rehabilitation of the new office and warehouse. Therefore, interest was imputed at a rate of 4%. 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, 2018 and 2017. 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 were made for the year ended December 31, 2017. No payments were made for the year ended December 31, 2018 in anticipation of the note being forgiven which occurred on February 27, 2019. See Note 15.

A summary of long-term debt as of December 31<sup>st</sup> is as follows:

	<u>2018</u>	<u>2017</u>
Loan with Bancorp South; 180 monthly payments of \$18,967 at 4% interest; balloon payment in the amount of \$950,075 due August 5, 2021; secured by the building	\$ 1,414,788	\$ 1,581,491
Community Development Block Grant (CDBG) repayable loan; 10 years with imputed interest of 4%; secured by the building	277,781	268,336
Community Development Block Grant (CDBG) forgivable loan; 5 years at 0%, secured by the building	<u>-</u>	<u>100,000</u>
Subtotal	1,692,569	1,949,827
Less: current portion	<u>( 259,053)</u>	<u>( 211,621)</u>
Long term debt- net of maturities	<u>\$ 1,433,516</u>	<u>\$ 1,738,206</u>

**THE GREATER BATON ROUGE FOOD BANK**  
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**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NOTES PAYABLE** (continued)

The notes are expected to mature as follows:

<u>Year ending</u> <u>December 31<sup>st</sup></u>	<u>Amount</u>
2019	\$ 259,053
2020	221,352
2021	1,100,770
2022	40,555
2023	40,555
Thereafter	<u>30,284</u>
	<u>\$ 1,692,569</u>

**6. VEHICLE LEASES**

The Food Bank leases delivery trucks for food distribution.

*Operating Leases*

An operating lease was entered into in April 2016, but the truck was not put into service until October 2016. The lease has a term of 54 months with a fixed monthly charge of \$1,545. Rental expense for the leases which includes the fixed monthly charge plus mileage was \$34,068 and \$39,100 for the years ended December 31, 2018 and 2017, respectively.

The operating lease requires annual rental payments as follows:

2019	\$ 18,540
2020	18,540
2021	<u>4,635</u>
	<u>\$ 41,715</u>

*Capital Leases*

On January 3, 2017, the Food Bank entered into five capital lease agreements each with a term of 84 months. The trucks were put into service on dates ranging from May 2017 to July 2017. The leases are to be paid in monthly installments ranging from \$1,740 to \$1,840 per month. The total lease obligation and cost included in fixed assets for the capital leases was \$643,801 at both December 31, 2018 and 2017. Lease obligation principal payments totaled \$83,476 and \$52,783 for the years ended December 31, 2018 and 2017, respectively. Accumulated depreciation for these assets was \$249,637 and \$91,972 as of December 31, 2018 and 2017, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

**6. VEHICLE LEASES** (continued)

*Capital Leases* (continued)

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

2019	\$	105,600
2020		105,600
2021		105,600
2022		105,600
2023		105,600
Thereafter		<u>36,603</u>
		564,603
Less: interest		<u>( 57,061)</u>
Total capital lease obligation		<u>\$ 507,542</u>

**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 \$23,785 and \$24,661 to this Plan during the years ended December 31, 2018 and 2017 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>2018</u>	<u>2017</u>
Net unrealized (loss) gains on endowment fund	(\$ 64,256)	\$ 129,038
Dividend and interest	41,469	35,260
Investment fees	<u>( 14,565)</u>	<u>( 13,271)</u>
	<u>(\$ 37,352)</u>	<u>\$ 151,027</u>

**9. FUNCTIONAL ALLOCATION OF EXPENSES BY NATURE AND CLASS**

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

**THE GREATER BATON ROUGE FOOD BANK**  
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**NOTES TO FINANCIAL STATEMENTS**

**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 other than United Way at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 4,950	\$ 5,200
Receivable in one to five years	-	-
Total unconditional promises to give	4,950	5,200
Less: Discount to net present value	<u>( 616)</u>	<u>( 616)</u>
Net unconditional promises to give	<u>\$ 4,334</u>	<u>\$ 4,584</u>

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 years ended December 31, 2018 and 2017.

**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.

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**BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

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, 2018 and 2017.

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

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

Fair Value of Assets Measured on a Recurring Basis

The following table presents for each of the fair-value hierarchy level the Food Bank's financial assets that are measured at fair value on a recurring basis at December 31, 2018 and 2017.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled Investments at December 31, 2018	\$ -	\$ 1,658,405	\$ -
Pooled Investments at December 31, 2017	\$ -	\$ 1,609,687	\$ -

**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.

**THE GREATER BATON ROUGE FOOD BANK**  
**(A NOT-FOR-PROFIT ORGANIZATION)**  
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**NOTES TO FINANCIAL STATEMENTS**

**13. ENDOWMENT NET ASSETS** (continued)

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

Investments of the Endowment Fund consist solely of amounts invested in the Baton Rouge Area Foundation Investment Pool (BRAAF). To satisfy its long-term rate-of-return objectives, the Food Bank relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The carrying amount of the investments of \$1,658,405 and \$1,609,687 as of December 31, 2018 and 2017, respectively, are recorded at their fair value which is based on the net asset value of BRAAF's investment pool.

As of December 31, 2018 and 2017, all interest and dividend income and unrealized gains were classified as without donor restriction.

The endowment net asset composition by type of fund was as follows as of December 31, 2018 and 2017:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor-Restricted Endowment as of December 31, 2018	\$ <u>506,705</u>	\$ <u>1,151,700</u>	\$ <u>1,658,405</u>
Donor-Restricted Endowment as of December 31, 2017	\$ <u>544,057</u>	\$ <u>1,065,630</u>	\$ <u>1,609,687</u>

**THE GREATER BATON ROUGE FOOD BANK**  
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**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, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ 544,057	\$ 1,065,630	\$ 1,609,687
Investment Return:			
Investment gain	41,469	-	41,469
Net depreciation	(64,256)	-	(64,256)
Investment expenses	(14,565)	-	(14,565)
Contributions	<u>-</u>	<u>86,070</u>	<u>86,070</u>
Endowment net assets, December 31, 2018	<u>\$ 506,705</u>	<u>\$ 1,151,700</u>	<u>\$ 1,658,405</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</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	<u>-</u>	<u>79,325</u>	<u>79,325</u>
Endowment net assets, December 31, 2017	<u>\$ 544,057</u>	<u>\$ 1,065,630</u>	<u>\$ 1,609,687</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.

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

Under the Emergency Protective Measures PA program, the Food Bank submitted reimbursement requests to FEMA in the amount of \$1.6 million. As of December 31, 2018, the Food Bank has fully collected all they expect to receive from the Emergency Protective Measures PA program. In 2017, the Food Bank completed its extensive renovations to the facility. The Food Bank submitted its application for the Permanent Work Project Worksheets in the amount of \$1.2 million and has collected a total of \$1.0 million to date. At December 31, 2018, The Food Bank has recorded a receivable for approximately \$263,000 on the Statement of Financial Position related to the Permanent Work Project Worksheets.

**15. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 25, 2019, and determined that the following requires additional disclosure. On February 27, 2019 by action of the East Baton Rouge Metropolitan Council, the City of Baton Rouge –Parish of East Baton Rouge, amended its agreements with the Food Bank to provide for the forgiveness of the remaining balance of the CDBG repayable loan. As of December 31, 2018, the loan had a remaining principal balance of \$325,000, net of a discount of \$47,219, for a total balance of \$277,781. 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, 2018**

**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.

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**THE GREATER BATON ROUGE FOOD BANK**

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

**DECEMBER 31, 2018**

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Postlethwaite & Netterville

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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, 2018, and the related statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 organization'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  
June 25, 2019

**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, 2018. 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 the 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, 2018.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002 and 2018-003. Our opinion on the major federal program is not modified with respect to these matters.

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

## **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 2018-001, 2018-002 and 2018-003, that we consider to be significant deficiencies.

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 Bank'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, 2018, and the related statements of activities and changes in net assets, functional expenses by nature and class, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2019, 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  
June 25, 2019

**THE GREATER BATON ROUGE FOOD BANK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Grant Numbers</u>	<u>Expenditures</u>	<u>Amount Provided to Sub-Recipients</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<u>Federal Agency Food and Nutrition Service, passed through from Louisiana Department of Agriculture &amp; Forestry</u>				
Emergency Food Assistance Program (administrative costs) <sup>1</sup>	10.568	61a81012	\$ 316,923	\$ -
Emergency Food Assistance Program (food commodities) <sup>1</sup>	10.569	61a400812	2,442,723	2,442,723
<u>Passed through Louisiana Department of Children and Family Services</u>				
Supplemental Nutrition Assistance Program	10.561	LA 420142 FY 2018	21,925	-
Total U.S. Department of Agriculture			<u>2,781,571</u>	<u>2,442,723</u>
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>				
<u>Passed through Capital Area United Way</u>				
Emergency Food and Shelter National Board Program	97.024	not available	57,031	57,031
<u>Passed through Louisiana Governor's Office of Homeland Security and Emergency Preparedness</u>				
Disaster Grants - Public Assistance	97.036	FEMA-4277-DR	225,000	-
Total Department of Homeland Security			<u>282,031</u>	<u>57,031</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,063,602</u>	<u>\$ 2,499,754</u>

<sup>1</sup> Food Distribution Cluster- \$2,759,646

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, 2018**

**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, 2018, the organization had USDA commodities valued at \$440,822 in inventory. The Organization received \$2,421,441 and distributed \$2,442,723 of commodities for the year ended December 31, 2018.

**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	\$	17,051,094
Non-cash adjustments – donated food		(11,665,754)
Non-cash adjustments – depreciation		(777,999)
Non-federal expenditures		<u>(1,543,739)</u>
Total Federal Expenditures	\$	<u>3,063,602</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, 2018.

**THE GREATER BATON ROUGE FOOD BANK**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**NOTE F – 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 an obligated project worksheet as of December 31, 2018 totaling \$225,000.

**THE GREATER BATON ROUGE FOOD BANK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

**A. Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes      x   no
- Significant deficiencies identified that are not considered to be material weaknesses?   x   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?   x   yes    \_\_\_\_\_ no

**Identification of major program:**

CFDA Number

Name of Federal Program or Cluster

10.568 and 10.569

Food Distribution Cluster:  
Emergency Food Assistance Program

- 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.

**THE GREATER BATON ROUGE FOOD BANK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

**Findings– Financial Statements**

- None

**Findings and Questioned Costs – Major Federal Awards Programs**

**2018-001 Sub-recipient Monitoring**

**10.568 and 10.569 Emergency Food Assistance Program**

Questioned Costs: None

Criteria: The Uniform Guidance Subpart D indicates that a pass-through entity is responsible for monitoring the activities of its sub-recipients to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and performance goals are achieved.

Under the terms of the agreement with the Louisiana Department of Agriculture and Forestry, the pass-through entity is responsible for conducting an annual review of all storage facilities/sites (individual pantries, storerooms, etc.) prior to June 30th of each year.

Condition: While testing compliance with the Federal program criteria regarding sub-recipient monitoring, out of a population of 122 agencies, 25 were sampled and haphazardly selected for testing, we found the following:

- There was no site visit performed for 1 of these agencies;
- and, for 4 of these agencies, annual site visits were performed; however, they were not performed prior to June 30th.

This sample is not a statistically valid sample.

Effect: The Food Bank is non-compliant with sub-recipient monitoring requirements for the USDA program. In addition, without establishing a control process, appropriate levels of sub-recipient monitoring may not occur and therefore the Food Bank may not be complying with all of its sub-recipient pass-through monitoring responsibilities.

Cause: The Food Bank did not implement controls over established policies and procedures to ensure compliance with the Federal requirements.

**THE GREATER BATON ROUGE FOOD BANK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**2018-001 Sub-recipient Monitoring** (continued)

**10.568 and 10.569 Emergency Food Assistance Program**

**Recommendation:** The Food Bank should establish controls to ensure the implemented policies and procedures are followed to ensure that Federal compliance requirements are adhered to.

**View of Responsible Official:**

*Management will review the Food Bank procedures on conducting the annual review of the sub-recipients to ensure the controls in place include management review of the monitoring dates on a quarterly basis.*

**2018-002 Procurement, Suspension and Debarment**

**10.568 / 10.569 Emergency Food Assistance Program**

**Questioned Costs:** None

**Criteria:** A contract award must not be made to parties listed on the government-wide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180. The Excluded Parties List System in SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority. In addition, under 2 CFR 200.326, Contract Provisions, a non-federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200 - Contract Provisions for non-Federal Entity Contracts under Federal Awards.

**Condition:** While testing compliance with the Federal program criteria regarding procurement, suspension and debarment, out of a population of 122 agencies, 25 were sampled and haphazardly selected for testing. We found that the required contract language regarding suspension and debarment was not included in the signed contract. We were also unable to obtain documentation to support that the Food Bank verified these agencies were not suspended, debarred, or otherwise excluded from doing business on federally funded contracts. However, based on a search on SAM.gov these agencies were not identified as being debarred from contracting with the federal government. This sample is not a statistically valid sample.

**Effect:** Without verification and documentation of the procedures over these requirements inadvertent payments to agencies who are not allowed to contract with the federal government may occur.

**THE GREATER BATON ROUGE FOOD BANK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**2018-002 Procurement, Suspension and Debarment** (continued)

**10.568 and 10.569 Emergency Food Assistance Program**

Cause: The Food Bank did not implement established policies and procedures to ensure compliance with the Federal requirements.

Recommendation: The Food Bank should implement processes so that established written policies and procedures are followed to ensure that Federal compliance requirements are adhered to.

**View of Responsible Official:**

*The Food Bank will update its annual monitoring of the sub-recipient procedures to include that the sub-recipient must provide the Food Bank with documentation that they have not been suspended, debarred or otherwise excluded from doing business on federally funded contracts.*

**2018-003 Special Tests and Provisions**

**10.568 and 10.569 Emergency Food Assistance Program**

Questioned Costs: None

Criteria: Accurate and complete records must be maintained with respect to the receipt, distribution/use, and inventory of USDA Foods, including end products processed from USDA Foods.

Condition: While testing compliance with the Federal program criteria regarding special tests and provisions, we found the following:

- We tested receipts and distributions of USDA foods. Out of a population of 29,888 receipts and distributions of USDA food items, 13 receipts and 12 distributions for a total sample size of 25 were sampled and haphazardly selected for testing. For 2 distributions out of the 25 selected for testing, there was no supporting documentation of the distributions.

This sample is not a statistically valid sample.

Effect: The Food Bank is non-compliant with the special tests and provisions requirements for the USDA program. In addition, without establishing an effective control process, accurate and complete records may not be maintained. Therefore, the Food Bank may not be complying with all of its responsibilities.

**THE GREATER BATON ROUGE FOOD BANK**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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

**2018-003 Special Tests and Provisions** (continued)

**10.568 and 10.569 Emergency Food Assistance Program**

**Cause:** The Food Bank did not effectively implement controls over established policies and procedures to ensure compliance with the Federal requirements.

**Recommendation:** The Food Bank should enhance controls to ensure the implemented policies and procedures are followed to ensure that Federal compliance requirements are adhered to.

**View of Responsible Official:**

*The two distributions noted in the testing were missing the agency signature on the agency invoice. The capturing of the signatures is a manual activity and management is in the process of saving the signatures electronically to reduce the risk of losing the agency signature documentation.*

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

**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.
- 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.*

**Current Status: Resolved**

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

**Findings– Financial Statements (continued)**

**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.

**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.*

**Current Status: Resolved**

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

**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

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.

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

**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 (continued)**

***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.*

***Current Status: Resolved***



**Submitted To:**

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

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**PRESIDENT/CEO**  
Michael G. Manning

TAX ID # 72-1065318  
[www.brfoodbank.org](http://www.brfoodbank.org)

The Greater Baton Rouge Food Bank respectfully submits the following corrective action plan for the year ended December 31, 2018 for the corrective actions implemented.

**RESPONSE TO FINDINGS:**

**2018-001 Sub-recipient Monitoring**

**Response:** Management will review the Food Bank procedures on conducting the annual review of the sub-recipients to ensure the controls in place include management review of the monitoring dates on a quarterly basis.

*Estimated Time of Completion: June 30, 2019.*

*Estimated Cost of Implementation: Not Applicable*

**2018-002 Procurement, Suspension and Debarment**

**Response:** The Food Bank will update its annual monitoring of the sub-recipient procedures to include that the sub-recipient must provide the Food Bank with documentation that they have not been suspended, debarred or otherwise excluded from doing business on federally funded contracts.

*Estimated Time of Completion: June 30, 2020*

*Estimated Cost of Implementation: Not Applicable*

**2018-003 Special Tests and Provisions**

**Response:** The two distributions noted in the testing were missing the agency signature on the agency invoice. The capturing of the signatures is a manual activity and management is in the process of saving the signatures electronically to reduce the risk of losing the agency signature documentation.

*Estimated Time of Completion: December 31, 2019*

*Estimated Cost of Implementation: \$1,000-10,000*

*Together We're Fighting Hunger*



Signature: *Nicholas J. Manning*

Date: 6/25/19

Signature: *Jenna Schenck*

Date: 6/25/19

**Independent Accountant's Report  
On Applying Agreed-Upon Procedures  
For the Year Ended 2018**

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

We have performed the procedures enumerated below, which were agreed to by the Greater Baton Rouge Food Bank (Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. 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 below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read "*no exception noted*". If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

***Written Policies and 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 for processing or reviewing disbursements; however, a policy for approving disbursements was noted.*



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- d) **Receipts**, 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.*

- 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 were 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***

---

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

### ***Bank Reconciliations***

---

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

*A listing of bank accounts was provided and included a total of 4 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.*

*All accounts from the listing provided were selected for testing. The Entity provided bank reconciliations for the month ending October 31, 2018 resulting in three bank reconciliations obtained and subjected to the below procedures. One bank account had no activity and therefore had no bank reconciliation.*

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

*For 3 of the 3 bank reconciliations tested, the bank reconciliations were not prepared within 2 months of the related statement closing date.*

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

*No exceptions noted.*

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*No exceptions noted.*

### **Collections**

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4. 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.*

5. 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.*

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

*No exceptions noted*

- 7. 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:

- 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.

*No exceptions noted.*

- 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).

*Two out of 6 collections selected for testing were deposited two days after receipt of the collection. One out of 6 collections did not have a receipt date.*

- 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)***

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8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

*The listing of locations that process payments for the fiscal period was provided. The entity has only (1) location. No exceptions were noted as a result of performing this procedure.*

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

*The listing of employees involved with non-payroll purchasing and payment functions for each payment processing location selected in procedure #8 was provided. No exceptions were noted as a result of performing this procedure.*

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

*No exceptions noted.*

- b) At least two employees are involved in processing and approving payments to vendors.

*No exceptions noted.*

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

*No exceptions noted.*

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

*No exceptions noted.*

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

*A listing of non-payroll disbursements for each payment processing location selected in procedures #8 was provided related to the reporting period. No exceptions were noted as a result of performing this procedure.*

- a) Observe that the disbursement matched the related original invoice/billing statement.

*No exceptions noted.*

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*No exceptions noted.*

#### Credit Cards/Debit Cards/Fuel Cards/P-Cards

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11. 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.

*A listing of cards was provided. No exceptions were noted as a result of performing this procedure.*

12. 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:

*From the listing provided, we randomly selected 5 cards (3 credit cards and 2 fuel cards) used in the fiscal period. We randomly selected one monthly statement for each of the 5 cards selected and performed the procedures noted 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 the 2 fuel cards tested, the monthly statement provided did not contain evidence of review by someone other than the card holder. Also, supporting documentation was not provided for each individual transaction listed on the monthly statement.*

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

*No exceptions noted.*

13. 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).

*We selected 21 transactions for 3 of the 5 cards selected in procedure #12 (2 fuel cards excluded) and performed the specified procedures.*

*For 1 of the 21 transactions tested, there was no itemized receipt and there was no written documentation of the business/public purpose. For 3 of the 21 transactions tested, there was no written documentation of the individuals participating in meals.*

**Travel and Travel-Related Expense Reimbursements (excluding card transactions)**

14. 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:

*The listing of travel and travel-related expense reimbursements was provided for the fiscal period. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 reimbursements and performed the procedures below.*

- 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](http://www.gsa.gov)).

*Of the 5 reimbursements selected for our procedures, all used a per diem. 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.

*No exceptions noted.*

- 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.

*For 3 of the 5 reimbursements selected, there was no documentation of review or approval by someone other than the person receiving reimbursement.*

## Contracts

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15. 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:

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

- 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.

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

- 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).

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

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

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

- 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.

*Procedure was not performed during the December 31, 2018 testing due to no exceptions noted in the prior year testing. Therefore, the procedure was rotated in accordance with criteria set forth by the LLA Statewide Agreed-Upon Procedures.*

### ***Payroll and Personnel***

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16. 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.

*A listing of employees/elected officials employed during the fiscal year was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 5 employees/officials and performed the specified procedures. No exceptions noted.*

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

*We randomly selected 1 pay period during the fiscal period and performed the procedures below for the 5 employees/officials selected in procedure #16.*

- 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.*

18. 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.:

*A listing of employees/officials receiving termination payments during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.*

*From the listing provided, we randomly selected 2 employees/officials and performed the specified procedures. No exceptions were noted as a result of performing this procedure.*

19. 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.

*No exceptions noted.*

### ***Ethics***

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

- 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***

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21. 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.*

22. 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.*

*Other*

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*Management represented to us that there were no misappropriation of public funds or assets during the fiscal period.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*No exceptions noted.*

*Corrective Action*

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25. Obtain management's response and corrective action plan for any exceptions noted in the above agreed-upon procedures.

*See attached.*

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.

Sincerely,

*Postlethwaite & Netterville*

June 25, 2019



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Michael G. Manning

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**Greater Baton Rouge Food Bank  
Responses to Statewide Agreed Upon Procedures  
For the period ending December 31, 2018**

**1A-J. Written policies and procedures – “No written policy noted.”**

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

**3A. Bank reconciliations – “For 3 of the 3 bank reconciliations tested, the bank reconciliations were not prepared within 2 months of the related statement closing date.”**

**Management Response:** In 2019, the Food Bank is implementing a new accounting system, which will allow the Food Bank to create efficiencies in the accounting department and specifically to the bank reconciliation process.

**7D. Collections – “Two out of 6 collections selected for testing was deposited two days after receipt of the collection. One out of 6 collections did not have a receipt date.”**

**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 November 2018, the Food Bank began outsourcing to a lockbox service company to assist in depositing and data capturing process for the bulk of the donations received.

**12A. Credit Cards/Fuel Cards – “For the 2 fuel cards tested, the monthly statement provided did not contain evidence of review by someone other than the card holder. Supporting documentation was not provided for each individual transaction listed on a monthly statement.”**

**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. Management will also 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.

*Together We’re Fighting Hunger*



**13. Credit Cards/Fuel Cards** – *“For 1 of the 21 transactions tested, there was no itemized receipt and there was no written documentation of the business/public purpose. For 3 of the 21 transactions tested, there was no written documentation of the individuals participating in meals”*

**Management Response:** The accounting department will continue 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.

**14D. Travel and Travel-Related Expense Reimbursements** – *“For three of the five expenses selected, there was no documentation of review or approval by someone other than the person receiving the 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.