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FOOD BANK OF COVINGTON, LA, INC.

**Financial Statements as of December 31, 2013
and for the Year Then Ended
and Independent Auditors' Report**

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

Release Date SEP 17 2014

FOOD BANK OF COVINGTON, LA, INC.

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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Food Bank of Covington, LA, Inc.
Covington, Louisiana

We have audited the accompanying financial statements of Food Bank of Covington, LA, Inc. (the Organization), a Louisiana not-for-profit corporation, which comprises the statement of financial position as of December 31, 2013, and the related statements of activities and change in net assets, revenues, other support, and expenses by program and supporting services, and cash flows for the year then ended, and the related notes to 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Food Bank of Covington, LA, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Gurtner Zuniga Abney, LLC

Mandeville, Louisiana

May 30, 2014

**FOOD BANK OF COVINGTON, LA, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 207,890
Certificates of deposit	1,074,810
Inventory	39,187
Other assets	<u>100,757</u>
Total current assets	1,422,644

PROPERTY AND EQUIPMENT

Building	442,358
Dental equipment	103,747
Vehicles	9,402
Equipment	<u>45,264</u>

	600,771
Less: accumulated depreciation	<u>(257,445)</u>
Total property and equipment, net	343,326

LAND

	<u>141,651</u>
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TOTAL ASSETS

	<u><u>\$ 1,907,621</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 1,258
Accrued expenses	<u>16,150</u>
Total current liabilities	17,408

NET ASSETS

Unrestricted	1,890,213
Temporarily restricted	<u>-</u>
Total net assets	<u>1,890,213</u>

COMMITMENTS AND CONTINGENCIES (NOTES C AND D)

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TOTAL LIABILITIES AND NET ASSETS

	<u><u>\$ 1,907,621</u></u>
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See accompanying independent auditors' report and notes to financial statements.

FOOD BANK OF COVINGTON, LA, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Food Bank income	\$ 443,964	\$ -	\$ 443,964
Thrift Store income	223,571	-	223,571
Dental Clinic income	218,766	9,009	227,775
Dental Clinic grant	-	52,722	52,722
Vincentian Center income	-	6,055	6,055
Fundraising income	137,695	-	137,695
In kind donations	669,519	-	669,519
Other income	9,840	-	9,840
Net assets released from restriction	92,072	(92,072)	-
Total revenues and other support	1,795,427	(24,286)	1,771,141
EXPENSES			
Advertising	1,397	-	1,397
Assistance	9,462	-	9,462
Building renovations	50,329	-	50,329
Depreciation	16,645	-	16,645
Facilities and equipment	1,823	-	1,823
Food	210,083	-	210,083
Fundraising	30,507	-	30,507
In kind donations	669,519	-	669,519
Insurance	41,077	-	41,077
Maintenance	6,828	-	6,828
Miscellaneous	2,325	-	2,325
Operating expenses	59,423	-	59,423
Payroll taxes	49,536	-	49,536
Professional fees	19,731	-	19,731
Salaries	431,049	-	431,049
Supplies	57,674	-	57,674
Utilities	30,864	-	30,864
Total expenses	1,688,272	-	1,688,272
CHANGE IN NET ASSETS	107,155	(24,286)	82,869
NET ASSETS—Beginning of year	1,783,058	24,286	1,807,344
NET ASSETS—End of year	\$ 1,890,213	\$ -	\$ 1,890,213

See accompanying independent auditors' report and notes to financial statements.

FOOD BANK OF COVINGTON, LA, INC.
STATEMENT OF REVENUES, OTHER SUPPORT AND EXPENSES BY PROGRAM AND SUPPORTING SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Supporting Services				
	Food Bank	Thrift Store	Dental Clinic	Vincenian Center	Program Total	General and Administrative	Fundraising	Support Total	Total
Unrestricted revenues and other support									
Contributions	\$ 443,964	\$ 5,657	\$ 218,766	\$ -	\$ 668,387	\$ -	\$ -	\$ -	\$ 668,387
Sales	-	217,914	-	-	217,914	-	-	-	217,914
Fundraising	-	-	-	-	-	-	137,695	137,695	137,695
In kind donations	658,844	-	10,675	-	669,519	-	-	-	669,519
Other income	-	-	-	-	-	9,840	-	9,840	9,840
Total unrestricted revenues and other support	1,102,808	223,571	229,441	-	1,555,820	9,840	137,695	147,535	1,703,355
Temporarily restricted revenues and other support	-	-	61,731	6,055	67,786	-	-	-	67,786
Total revenues and other support	1,102,808	223,571	291,172	6,055	1,623,606	9,840	137,695	147,535	1,771,141
Expenses									
Advertising	1,397	-	-	-	1,397	-	-	-	1,397
Assistance	-	-	-	9,462	9,462	-	-	-	9,462
Building renovations	-	-	-	-	-	50,329	-	50,329	50,329
Depreciation	-	-	-	-	-	16,645	-	16,645	16,645
Facilities and equipment	1,823	-	-	-	1,823	-	-	-	1,823
Food	210,083	-	-	-	210,083	-	-	-	210,083
Fundraising	150	-	-	-	150	-	30,357	30,357	30,507
In kind donations	658,844	-	10,675	-	669,519	-	-	-	669,519
Insurance	22,144	2,971	15,962	-	41,077	-	-	-	41,077
Maintenance	6,828	-	-	-	6,828	-	-	-	6,828
Miscellaneous	812	148	1,015	350	2,325	-	-	-	2,325
Operating expenses	25,621	21,469	11,084	-	58,174	1,249	-	1,249	59,423
Payroll taxes	18,060	5,674	12,584	-	36,318	13,218	-	13,218	49,536
Professional fees	-	-	-	-	-	19,731	-	19,731	19,731
Salaries	214,685	63,413	152,951	-	431,049	-	-	-	431,049
Supplies	10,560	7,148	39,966	-	57,674	-	-	-	57,674
Utilities	13,736	6,423	10,705	-	30,864	-	-	-	30,864
Total expenses	1,184,743	107,246	254,942	9,812	1,556,743	101,172	30,357	131,529	1,688,272
Change in net assets	\$ (81,935)	\$ 116,325	\$ 36,230	\$ (3,757)	\$ 66,863	\$ (91,332)	\$ 107,338	\$ 16,006	\$ 82,869

See accompanying independent auditors' report and notes to financial statements.

**FOOD BANK OF COVINGTON, LA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 82,869
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,645
Change in operating assets and liabilities:	
Inventory	18,687
Other assets	(6,514)
Accounts payable	1,258
Accrued expenses	<u>(2,336)</u>
Net cash provided by operating activities	110,609
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of certificates of deposit	<u>(204,412)</u>
Net cash used in investing activities	<u>(204,412)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(93,803)
CASH AND CASH EQUIVALENTS – Beginning of year	<u>301,693</u>
CASH AND CASH EQUIVALENTS – End of year	<u>\$ 207,890</u>

See accompanying independent auditors' report and notes to financial statements.

FOOD BANK OF COVINGTON, LA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Food Bank of Covington, LA, Inc. (the Organization) is a not-for-profit organization located in Covington, Louisiana, whose purpose is to identify and address the needs of the poor in the parishes of St. Tammany, Tangipahoa, and Washington. The Organization includes the following programs:

1. The Food Bank provides perishable and non-perishable food items to multi-member households three times a week and for the holidays.
2. The Thrift Store offers a variety of clothing and household items at reduced prices.
3. The Dental Clinic treats the dental needs of the uninsured populations in the area at a discount.
4. The Vincentian Center assists individuals who seek emergency financial assistance with such expenses as utilities, rent, or pharmacy bills.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under FASB, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a) Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- b) Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods. There were no temporarily restricted net assets as of December 31, 2013.
- c) Permanently restricted net assets are donor-imposed assets that stipulate that the donation be maintained permanently but permits the use of all or part of the income derived. There were no permanently restricted net assets as of December 31, 2013.

All contributions are considered available for unrestricted use, unless specifically restricted by donors. All expenses are reported as changes in unrestricted net assets.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization's management considers all unrestricted highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

FOOD BANK OF COVINGTON, LA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Statement of Revenues, Other Support and Expenses by Program and Supporting Services – The revenues and costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenues, other support and expenses by program and supporting services. Accordingly, certain revenues and costs have been allocated among the programs and supporting services benefited based on actual amounts or management's best estimate.

Property and Equipment – Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives as follows:

Building	39 years
Dental equipment	5 years
Vehicles	5 years
Equipment	7 years

Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not extend the useful lives of the respective assets are expensed in the current year. Depreciation expense for the year ended December 31, 2013 was \$16,645.

Donated Assets and Services – The Organization records noncash donations, except for food donations (see inventory policy below), as contributions, at the estimated fair value at the date of donation. The Organization recognizes donated services, if significant in amount, that create or enhance non-financial assets or that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, a substantial number of volunteers have contributed significant amounts of their time in the Organization's program services. However, these volunteer services do not meet all of the applicable requirements of financial accounting standards necessary to be recorded in the financial statements.

Inventory – Inventory is comprised of donated food, grocery products and purchased food. Donated food inventory, including food received, distributed and undistributed, is valued using the estimated fair value as determined by management. The average value used for the year ended December 31, 2013 was \$0.90 per pound.

Purchased food inventory is recorded at cost.

Donated commodities are considered by management to be immaterial and, thus, are not included in the accompanying financial statements.

Other Assets – Other assets as of December 31, 2013 consisted of cash surrender value of life insurance and prepaid insurance. Cash surrender value of life insurance of \$95,941 is carried at fair value. The Organization is the owner and beneficiary on the life insurance, which covers one of its former Executive Directors. The remaining \$4,816 of other assets is prepaid insurance.

FOOD BANK OF COVINGTON, LA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

Thrift Store Inventory – Financial accounting standards require that contributions be recognized as inventory when received and carried at fair value. Management believes there is a major uncertainty about the existence of value for used clothing and home goods, which indicates that an item received or given should not be recognized. Financial accounting standards state that “fair value should be regarded as not determinable within reasonable limits if major uncertainties exist about the realizability of the value;” thus, donations of used clothing and home goods are not valued nor is an inventory of items used for financial reporting.

Income Taxes – The Organization qualifies as a not-for-profit organization under 501(c)(3) of the Internal Revenue Code, and thus, is exempt from federal and state income taxes. Management believes there are no uncertain tax positions included in the financial statements.

Advertising Costs – The Organization expenses advertising costs as incurred. Advertising expense charged to operations for the year ended December 31, 2013 was \$1,397.

Uncompensated Absences – The Organization allows regular full-time employees with a minimum of six months or (180) days employment, to receive compensated absences. Employees are eligible to carry-over to the following year up to 2 weeks of unused compensated absences. As of December 31, 2013, uncompensated absences were \$6,425 and are included in the accrued expenses in the statement of financial position.

NOTE B – CERTIFICATES OF DEPOSIT

Certificates of deposit with a face value totaling \$1,074,810 at December 31, 2013 were held by the Organization and restricted by the board. The board has designated three separate accounts as follows: operating reserves totaling \$368,746; building reserves totaling \$406,064 and unrestricted reserves totaling \$300,000. These certificates bore interest rates ranging from 0.30% to 0.55% as of December 31, 2013.

NOTE C – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances and certificates of deposit at financial institutions located in Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2013. The Organization’s uninsured cash balances, including certificates of deposit, totaled \$149,470 as of December 31, 2013. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk to cash.

FOOD BANK OF COVINGTON, LA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE D – LEASES

Effective June 1, 2012, the Organization entered into a six year operating lease agreement for the Thrift Store located in Covington, Louisiana next to the Food Bank. The lease will expire on May 31, 2018. For the year ended December 31, 2013, rent expense was \$12,000 and is included in Thrift Store operating expenses on the statement of activities and changes in net assets. Minimum future obligations on this lease as of December 31, 2013 are as follows:

<u>Year ending December 31</u>	<u>Total</u>
2014	\$ 12,000
2015	12,000
2016	12,000
2017	12,000
2018	<u>5,000</u>
	<u>\$ 53,000</u>

NOTE E – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 30, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.