

Gleaners
Community
Food Bank of
Southeastern
Michigan



Year Ended
September 30,
2013
(with comparative
totals for 2012)

Financial
Statements

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

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INDEPENDENT AUDITORS' REPORT

January 7, 2014

Board of Directors
Gleaners Community Food Bank of
Southeastern Michigan
Detroit, Michigan**Report on the Financial Statements**

We have audited the accompanying financial statements of *Gleaners Community Food Bank of Southeastern Michigan* (a nonprofit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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.

Independent 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 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 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 auditor 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 entity'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 entity'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 *Gleaners Community Food Bank of Southeastern Michigan* as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summary Comparative Information

We have previously audited the *Gleaners Community Food Bank of Southeastern Michigan's* 2012 financial statements, and our report dated January 23, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Highlights, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, marked "unaudited", has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014 on our consideration of *Gleaners Community Food Bank of Southeastern Michigan's* internal control over financial reporting and on 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Gleaners Community Food Bank of Southeastern Michigan's* internal control over financial reporting and compliance.

Rehmann Johnson LLC

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION

	September 30	
	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,683,969	\$ 1,632,806
Receivables		
Trade - net of allowance for doubtful accounts of \$10,463 in 2013 and 2012	381,370	409,965
Grants	172,041	276,022
Promises to give	954,614	1,155,413
Promises to give for the use of facilities	141,960	-
Food inventories		
Donated	1,687,843	930,450
Purchased	231,318	365,215
Prepaid expenses and other current assets	92,692	113,298
Total current assets	5,345,807	4,883,169
Net property and equipment	3,679,440	4,810,335
Property held for sale	764,000	-
Promises to give	468,130	123,372
Promises to give for the use of facilities	476,797	-
Cash surrender value of life insurance	86,389	84,313
Beneficial interest in charitable remainder unitrust	1,093,019	766,617
Beneficial interest in Community Foundation Endowment Fund	1,703,059	1,616,049
Total assets	\$ 13,616,641	\$ 12,283,855
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,564,741	\$ 1,439,503
Accrued liabilities	262,280	264,002
Current portion of note payable	36,729	29,810
Total current liabilities	1,863,750	1,733,315
Noncurrent portion of note payable	37,033	59,620
Total liabilities	1,900,783	1,792,935
Unrestricted net assets		
Noncash food donations/distributions	1,687,843	930,450
Other	4,009,152	4,504,493
Total unrestricted net assets	5,696,995	5,434,943
Temporarily restricted net assets	4,229,415	3,355,615
Permanently restricted net assets	1,789,448	1,700,362
Total net assets	11,715,858	10,490,920
Total liabilities and net assets	\$ 13,616,641	\$ 12,283,855

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

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2013 (with comparative totals for 2012)

	Unrestricted		
	Cash and Other Activities	Noncash Food Donations/ Distributions	Total Unrestricted
Revenue and other support			
Donated food received	\$ -	\$ 51,536,947	\$ 51,536,947
Contributions, grants and other revenue			
Contributions	10,173,661	-	10,173,661
Special events revenue	746,934	-	746,934
United Way	27,732	-	27,732
Grants and indirect support	1,860,662	-	1,860,662
Purchased food revenue	4,059,081	-	4,059,081
Agency shared maintenance	1,092,321	-	1,092,321
Investment income	158,723	-	158,723
Change in beneficial interest in Community Foundation Endowment Fund	-	-	-
Change in beneficial interest in charitable remainder unitrust	-	-	-
Contribution for the use of facilities	-	-	-
Other	225,042	-	225,042
Total contributions, grants, and other revenue	18,344,156	-	18,344,156
Net assets released from restrictions	2,786,802	-	2,786,802
Total revenue and other support	21,130,958	51,536,947	72,667,905
Expenses			
Program services - food bank			
Personnel expense	4,088,992	-	4,088,992
Purchased food distributed	6,314,082	-	6,314,082
Donated food distributed	-	50,779,554	50,779,554
Transportation expense	834,509	-	834,509
Occupancy expense	1,770,395	-	1,770,395
General and administrative expense	3,454,487	-	3,454,487
Total program services - food bank	16,462,465	50,779,554	67,242,019
Supporting services			
Management and general	1,113,662	-	1,113,662
Fundraising	3,132,352	-	3,132,352
Total supporting services	4,246,014	-	4,246,014
Total expenses	20,708,479	50,779,554	71,488,033
Pension-related changes other than net periodic pension cost	-	-	-
Impairment loss on property held for sale	(917,820)	-	(917,820)
Change in net assets	(495,341)	757,393	262,052
Net assets, beginning of year	4,504,493	930,450	5,434,943
Net assets, end of year	\$ 4,009,152	\$ 1,687,843	\$ 5,696,995

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

Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
\$ -	\$ -	\$ 51,536,947	\$ 43,439,683
2,492,127	-	12,665,788	12,011,888
-	-	746,934	483,586
150,000	-	177,732	293,601
-	-	1,860,662	1,473,094
-	-	4,059,081	4,346,551
-	-	1,092,321	819,629
-	-	158,723	939
-	87,010	87,010	208,716
326,402	-	326,402	(236,608)
692,073	-	692,073	-
-	2,076	227,118	119,134
3,660,602	89,086	22,093,844	19,520,530
(2,786,802)	-	-	-
873,800	89,086	73,630,791	62,960,213
-	-	4,088,992	4,528,856
-	-	6,314,082	8,260,441
-	-	50,779,554	45,045,839
-	-	834,509	973,363
-	-	1,770,395	1,830,461
-	-	3,454,487	4,130,590
-	-	67,242,019	64,769,550
-	-	1,113,662	1,271,055
-	-	3,132,352	3,725,857
-	-	4,246,014	4,996,912
-	-	71,488,033	69,766,462
-	-	-	376,663
-	-	(917,820)	-
873,800	89,086	1,224,938	(6,429,586)
3,355,615	1,700,362	10,490,920	16,920,506
\$ 4,229,415	\$ 1,789,448	\$ 11,715,858	\$ 10,490,920

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

(with comparative totals for 2012)

	Program Services - Food Bank	Supporting Services	
		Management and General	Fundraising
Personnel expense			
Salaries	\$ 3,277,971	\$ 515,110	\$ 889,735
Payroll taxes and employee benefits	811,021	127,446	220,134
Total personnel expense	4,088,992	642,556	1,109,869
Transportation expense	834,509	-	-
Occupancy expense			
Depreciation	501,058	-	-
Rent	315,901	18,853	43,990
Warehouse supplies	126,747	-	-
Utilities	372,319	41	7,740
Insurance	52,821	11	2,076
Repairs and maintenance	228,951	20	3,763
Security	65,761	13	2,400
Uniforms	28,458	-	-
Other occupancy	78,379	-	-
Total occupancy expense	1,770,395	18,938	59,969
Other operating expense			
Food bank affiliation requirements	296,427	-	-
Telephone	89,715	14,098	24,351
Operation Frontline	326,650	-	-
Travel and meetings	37,951	5,964	10,301
Office supplies and expense	217,111	21,019	36,305
On line service	655	103	178
Solicitation mailings	135,399	99,292	667,966
Public relations	6,014	945	1,632
Bank service charges	89,630	14,085	24,328
Computer maintenance	6,730	1,058	1,827
Bad debts	8,702	-	-
Event expense	-	41,540	499,421
Agency support	1,052,718	131,012	226,293
Professional fees	290,525	45,654	78,857
Media and communications	229,543	76,514	389,528
FEMA distributed	152,402	-	-
Kids summer food service program	508,689	-	-
Miscellaneous	5,626	884	1,527
Total other operating expense	3,454,487	452,168	1,962,514
Subtotal	10,148,383	1,113,662	3,132,352
Purchased food distributed	6,314,082	-	-
Donated food distributed	50,779,554	-	-
Total	\$ 67,242,019	\$ 1,113,662	\$ 3,132,352

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

	2013 Total Expenses	2012 Total Expenses
Total		
\$ 1,404,845	\$ 4,682,816	\$ 4,687,736
347,580	1,158,601	2,071,751
1,752,425	5,841,417	6,759,487
-	834,509	973,363
-	501,058	536,625
62,843	378,744	359,896
-	126,747	190,611
7,781	380,100	356,755
2,087	54,908	57,726
3,783	232,734	240,687
2,413	68,174	67,188
-	28,458	34,655
-	78,379	70,536
78,907	1,849,302	1,914,679
-	296,427	114,652
38,449	128,164	132,159
-	326,650	344,484
16,265	54,216	74,502
57,324	274,435	309,841
281	936	17,245
767,258	902,657	1,340,389
2,577	8,591	11,319
38,413	128,043	114,057
2,885	9,615	21,680
-	8,702	148,668
540,961	540,961	345,286
357,305	1,410,023	1,676,588
124,511	415,036	498,560
466,042	695,585	574,597
-	152,402	659,584
-	508,689	425,981
2,411	8,037	3,061
2,414,682	5,869,169	6,812,653
4,246,014	14,394,397	16,460,182
-	6,314,082	8,260,441
-	50,779,554	45,045,839
\$ 4,246,014	\$ 71,488,033	\$ 69,766,462

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2013	2012
Cash flows from operating activities		
Change in net assets	\$ 1,224,938	\$ (6,429,586)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	501,058	536,625
Contribution for use of facilities	(692,073)	-
Noncash rent expense for use of facilities	73,316	-
Loss on disposal of property and equipment	8,642	-
Impairment loss on property held for sale	917,820	-
Donated property and equipment	(88,498)	-
Donated food inventories	(757,393)	1,606,156
Noncash contributions of beneficial interest	-	(4,000)
Change in beneficial interest in net assets of Community Foundation	(87,010)	(208,716)
Change in beneficial interest in charitable remainder unitrust	(326,402)	236,608
Change in cash surrender value of life insurance	(2,076)	(6,141)
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable, net	(11,383)	117,604
Purchased inventory	133,897	183,322
Prepaid expenses and other assets	20,606	(1,326)
Long-term pension asset	-	19,731
Accounts payable	125,238	405,213
Accrued liabilities	(1,722)	(73,751)
Net cash provided by (used in) operating activities	1,038,958	(3,618,261)
Cash used in investing activities		
Purchases of property and equipment	(972,127)	(448,253)
Cash flows from financing activities		
Repayments on note payable	(36,553)	(29,810)
Proceeds from issuance of note payable	20,885	-
Net cash used in financing activities	(15,668)	(29,810)
Net increase (decrease) in cash and cash equivalents	51,163	(4,096,324)
Cash and cash equivalents, beginning of year	1,632,806	5,729,130
Cash and cash equivalents, end of year	\$ 1,683,969	\$ 1,632,806
Supplemental disclosures of cash flows information		
Value of donated food received	\$ 51,536,947	\$ 43,439,683
Value of donated food distributed	\$ 50,779,554	\$ 45,045,839
Value of contribution for the use of facilities	\$ 692,073	\$ -
Value of donated property and equipment	\$ 88,498	\$ -

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

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Gleaners Community Food Bank of Southeastern Michigan ("Gleaners") is a Michigan non-profit corporation that was formed April 5, 1977. Gleaners was established to collect, warehouse and distribute food to social agencies that feed the needy throughout Southeastern Michigan. Gleaners' revenue is derived principally from donations of food and cash contributions, grants and shared maintenance fees charged to the social agencies.

Gleaners is a member of the Feeding America Organization, a national network of food banks, and as of September 30, 2013 and 2012, is in compliance with the financial record keeping and stability requirements of the membership.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and deposits in money market funds with original maturities when purchased of less than three months. The Organization maintains its deposits in one local financial institution, which at times may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rate or other financial risk as a result of these deposits.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 3 to the financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Grants Receivable

The Organization receives grants from various funding sources. Invoices are issued to the agencies for release of grant money when food is distributed or direct expenses are incurred. Grants receivable are typically awarded under service arrangements whereby revenue is recognized upon the performance of services as outlined in the grant agreement.

Promises to Give

The Organization's promises to give are comprised primarily of amounts committed from individuals and corporations for the Organization's activities. Revenue is recognized when an unconditional promise to give is received; in the absence of such promise, revenue is recognized when the promise to give is collected. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The unamortized discount represents the adjustment required to record promises to give expected to be received in future years at their present value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions over the period of the promise to give.

Inventories

Inventory of purchased food is stated at the lower of cost, determined by the first-in, first-out ("FIFO") method, or market. Donated food inventory is valued at estimated fair value according to a per pound amount, by food category, determined by utilizing the Agreed Upon Procedures report prepared by KPMG LLP for Feeding America, a national food bank network, using the FIFO method of valuation.

Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

Property, Equipment, and Depreciation

Purchased land, building, vehicles, and equipment are stated at cost. Donated land, building, property and equipment are recorded at approximate fair value at the date of the gift. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from 3 to 40 years.

Classification of Net Assets

The Organization classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three categories follows:

- *Permanently restricted* - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Additional details about the Organization's specific net assets with permanent restrictions can be found in Note 13.
- *Temporarily restricted* - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Additional details about the Organization's specific net assets with temporary restrictions can be found in Note 12.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

- *Unrestricted* - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Revenues are reported as an increase in unrestricted net assets unless one of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions, Grants, and Revenue Recognition

Contributions of cash and other assets, including unconditional promises to give in the future, are recognized at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows on a recurring basis. Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted contributions are reported as temporarily or permanently restricted net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statement of activities. Indirect costs have been allocated between the various programs and supporting services based on estimates by management.

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted an income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income". Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income, such as interest received from sources other than directly from contributions. The Organization has been classified as not a private foundation.

Accounting Standards Codification ("ASC") Topic 740 "*Accounting for Uncertainty in Income Taxes*" seeks to reduce the significant diversity in practice associated with financial statement recognition and measurement in accounting for income taxes and prescribes the recognition threshold and measurement attribute for disclosures of tax positions previously taken or expected to be taken on an income tax return. The Organization analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years (2009 through 2013) in these jurisdictions. The Organization also treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its general and administrative expenses. The continued application of ASC Topic 740 has no significant impact on the Organization's financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Contingencies

Amounts received or expended by the Organization under various federal programs are subject to audit by governmental agencies. In the opinion of management, any such program audits would not have a significant effect on the financial position of the Organization.

Reclassification

Certain amounts as reported in the 2012 financial statements have been reclassified to conform with the 2013 presentation.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to September 30, 2013, the most recent statement of financial position presented herein through January 7, 2014, the issuance date of these financial statements. No significant such events or transactions were identified other than those discussed in Note 5.

2. PROMISES TO GIVE

The composition of promises to give is as follows at September 30:

	2013	2012
Promises outstanding	\$ 1,437,089	\$ 1,311,949
Less unamortized discount and allowance for uncollectible pledges	<u>14,345</u>	<u>33,164</u>
Promises to give, net	<u>\$1,422,744</u>	<u>\$1,278,785</u>

Promises to give are expected to be collected in the following years ending September 30:

2014	\$ 954,614
2015	450,850
2016	<u>31,625</u>
Total promises to give	<u>\$1,437,089</u>

3. FAIR VALUE MEASUREMENTS

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Beneficial interests and donated food inventories are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as property held for sale and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value.

Beneficial Interest in Charitable Remainder Unitrust: Fair value measurements of this asset are determined by the underlying investments in the trust which are based upon quoted prices, as well as the present value of future payments to other beneficiaries, changes in actuarial assumptions, and a rate of return and a discount rate of 5.1%.

Beneficial Interest in Community Foundation Endowment Fund: The Organization is allocated its portion of the total fair values of the underlying securities held by the Foundation (Level 3 inputs). The underlying investment securities held by the Foundation have fair values that are determined using Level 1 inputs.

Donated Food: Donated food inventory is valued at estimated fair value according to a per pound amount, by food category, determined by utilizing the Agreed Upon Procedures report prepared by KPMG for Feeding America, a national food bank network, using the FIFO method of valuation.

Promises to Give for the Use of Facilities: Fair value measurements were determined using comparable market rental data in the area discounted to net present value.

Property Held for Sale: Property held for sale represents the sales price less costs to sell. The Organization recorded an impairment in 2013. Refer to Note 5.

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, although the Organization 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.

Assets Recorded at Fair Value on a Recurring and Non-Recurring Basis

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring and non-recurring basis as of September 30:

2013	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,093,019	\$ -	\$ -	\$ 1,093,019
Beneficial Interest in Community Foundation Endowment Fund	\$ 1,703,059	\$ -	\$ -	\$ 1,703,059
Donated food inventory	\$ 1,687,843	\$ -	\$ 1,687,843	\$ -
Promises to give for the use of facilities	\$ -	\$ -	\$ -	\$ 618,757
Property held for sale	\$ -	\$ -	\$ 764,000	\$ -

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

2012	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	<u>\$ 766,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 766,617</u>
Beneficial Interest in Community Foundation Endowment Fund	<u>\$ 1,616,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,616,049</u>
Donated food inventory	<u>\$ 930,450</u>	<u>\$ -</u>	<u>\$ 930,450</u>	<u>\$ -</u>

The following table sets forth a summary of the changes in the fair value of the Organization's beneficial interest in the charitable remainder unitrust for the years ended September 30:

	2013	2012
Beginning of year	\$ 766,617	\$ 1,003,225
Net investment (loss) gain	<u>326,402</u>	<u>(236,608)</u>
End of year	<u>\$ 1,093,019</u>	<u>\$ 766,617</u>

The following table sets forth a summary of the changes in the fair value of the Organization's beneficial interest in the Community Foundation Endowment Fund for the years ended September 30:

	2013	2012
Beginning of year	\$ 1,616,049	\$ 1,403,333
Contribution of beneficial interest	-	4,000
Change in beneficial interest	87,010	208,716
Net investment income	156,943	-
Distributions received	<u>(156,943)</u>	<u>-</u>
End of year	<u>\$ 1,703,059</u>	<u>\$ 1,616,049</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

The following table sets forth a summary of the changes in the fair value of the Organization's promises to give for the use of facilities for the years ended September 30:

	2013	2012
Beginning of year	\$ -	\$ -
Contribution for the use of facilities	692,073	-
Noncash rent expense	<u>(73,316)</u>	<u>-</u>
End of year	<u>\$ 618,757</u>	<u>\$ -</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2013	2012
Land	\$ 125,295	\$ 1,044,935
Building and building improvements	5,271,425	5,447,890
Warehouse equipment	1,100,764	1,045,684
Furniture and equipment	1,418,359	1,413,474
Vehicles	794,827	718,529
Construction in progress	<u>166,466</u>	<u>89,216</u>
Total property and equipment	8,877,136	9,759,728
Less accumulated depreciation	<u>5,197,696</u>	<u>4,949,393</u>
Net property and equipment	<u>\$ 3,679,440</u>	<u>\$ 4,810,335</u>

Estimated costs to complete construction in progress as of September 30, 2013 totaled \$800,000.

5. PROPERTY HELD FOR SALE AND ASSET IMPAIRMENT LOSS

In 2011, the Organization received land and building valued at \$1,700,000 as a donation. The Organization sold the land and building on January 3, 2014 for \$800,000. Costs to sell were approximately \$36,000.

Pursuant to the provisions of ASC Topic 360-10, Accounting for the Impairment of Long Lived Assets, and for Long-Lived Assets to be Disposed of, the Organization recorded an impairment loss of \$917,820 pertaining to the property held for sale for the year ended September 30, 2013.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

6. PROMISES TO GIVE FOR THE USE OF FACILITIES

The composition of promises to give for the use of the Mercado Pantry facilities is as follows at September 30 are as follows:

	2013	2012
Promises to give for the use of facilities	\$ 632,905	\$ -
Less unamortized discount (to net present value)	<u>14,148</u>	<u>-</u>
Promises to give, net	<u>\$ 618,757</u>	<u>\$ -</u>

Rent expense for the use of facilities is expected to be recognized in the following years ending September 30:

2014	\$ 141,960
2015	141,960
2016	141,960
2017	141,960
2018	<u>65,065</u>
Total	<u>\$ 632,905</u>

7. DONATED FOOD RECEIVED AND DISTRIBUTED

Donated food received and distributed are estimates of the dollar value of the donated food processed by the Organization.

The value of the donated food received and recorded as revenue was based on a weighted average of ending inventory values. The value of donated food distributed and recorded as expense was based on the weighted average of donated inventory values at the beginning and end of the year.

Pounds of food distributed by the Organization were as follows for the years ended September 30:

	2013	2012
Donated	26,414,308	28,962,519
Purchased	<u>15,187,169</u>	<u>17,773,334</u>
Total	<u>41,601,477</u>	<u>46,735,853</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

8. DEBT

Long-term debt consists of the following obligations at September 30:

	2013	2012
Note payable to Feeding America, collateralized by a vehicle, due in annual principal installments of \$29,810, plus 2% interest through December 2014.	\$ 59,620	\$ 89,430
Note payable, collateralized by equipment, due in monthly payments of \$702, including 13.65% interest through September 2015.	<u>14,142</u>	<u>-</u>
Long-term debt	73,762	89,430
Less current portion	<u>36,729</u>	<u>29,810</u>
Total long-term debt, net of current portion	<u>\$ 37,033</u>	<u>\$ 59,620</u>

Scheduled maturities of long term debt are expected to be paid in the following years ending September 30:

2014	\$ 36,729
2015	<u>37,033</u>
Total	<u>\$ 73,762</u>

9. DEFINED BENEFIT PENSION PLAN

The Organization maintained a qualified, non-contributory defined benefit pension plan that covered employees hired on or before July 1, 2006 who met the plan's eligibility requirements on or before December 1, 2007. On May 1, 2008, the plan's benefit formula was frozen. As a result, no further benefits accrued to the participants after this date. On October 27, 2010, the Board of Directors resolved to terminate the plan. During 2012, the Organization secured the necessary termination approvals from the Internal Revenue Service and the Pension Benefit Guaranty Corporation. The obligation to pay benefits was settled in 2012 by the purchase of annuity contracts totaling \$1,226,868 and by making lump sum payments in the amount of \$1,331,322. These payments were funded by plan assets in the amount of \$2,123,060 and a one-time payment of \$435,130 by the Organization. This onetime payment is included in "Payroll taxes and employee benefits" in the accompanying 2012 Statement of Functional Expenses. These payments relieved the Organization from any ongoing responsibility for the plan's obligations.

In addition, the Organization also recorded an expense upon settlement of \$376,663, which represents amounts previously recognized as changes in net assets that were not previously reclassified to net periodic pension expense. This amount is included in "Payroll taxes and employee benefits" in the accompanying 2012 Statement of Functional Expenses.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

10. DEFINED CONTRIBUTION PLAN

Effective July 1, 2008, the Organization began sponsoring a defined contribution retirement plan for its employees who have attained the age of 21 and one year of service. Participants may make contributions of their compensation up to the legal limit prescribed by Section 401(k) of the Internal Revenue Code. The Organization does not make matching contributions; however, the Organization may make a profit sharing contribution at its discretion, which will be allocated among all eligible employees, whether or not they make contributions to the Plan. Participants are fully vested after five years of service. Employer contribution expense was \$45,000 and \$61,250 for the years ended September 30, 2013 and 2012, respectively.

11. TAX-DEFERRED ANNUITY PLAN

During the year ended September 30, 2012, the Organization terminated the tax-deferred annuity 403(b) plan. The Organization did not contribute to the plan.

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of September 30:

	2013	2012
Program services	\$ 1,905,318	\$ 1,764,313
Nourishing Hope Breakfast	203,490	226,285
Emergency food and shelter	-	900
Client choice pantries	78,604	262,500
Beneficial interest in charitable remainder unitrust - time restricted	1,093,019	766,617
Mercado Pantry	176,895	-
Mercado Pantry use of facilities	618,757	-
Other time restrictions	<u>153,332</u>	<u>335,000</u>
Total	<u>\$ 4,229,415</u>	<u>\$ 3,355,615</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

13. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following components as of September 30:

	2013	2012
Cash surrender value of life insurance (proceeds of policy to be utilized to fund an endowment)	\$ 86,389	\$ 84,313
Beneficial interest in Community Foundation Endowment Fund (see Note 14)	<u>1,703,059</u>	<u>1,616,049</u>
Total	<u>\$ 1,789,448</u>	<u>\$ 1,700,362</u>

14. COMMUNITY FOUNDATION ENDOWMENT FUND

The Organization has transferred assets to the Community Foundation Endowment Fund for Southeastern Michigan ("Foundation") to establish an endowment fund. The agreement states that the transfer is irrevocable and that the assets will not be returned to the Organization. However, the Foundation will make distributions of income earned on the endowment fund to the Organization, subject to the Foundation's spending policy. Distributions received totaled \$156,943 and \$0 at September 2013 and 2012, respectively. The Organization has recorded a beneficial interest in assets held by the Foundation totaling \$1,703,059 and \$1,616,049 at September 30, 2013 and 2012, respectively.

In addition, the Foundation has received donations directly from unrelated parties for the benefit of the Organization. The Foundation has retained variance power for these donations. The Organization has not recorded any interest in these assets in the accompanying financial statements. The balance of these invested assets are not recorded in the Organization's financial statements and totaled \$1,898,463 and \$1,801,886 at September 30, 2013 and 2012, respectively.

15. BENEFICIAL INTEREST IN CHARITABLE REMAINDER UNITRUST

The Organization has been named a beneficiary in a charitable remainder unitrust for which a third party serves as trustee. The trust is irrevocable and upon the death of the last remaining recipient, the Organization will receive 20% of the trust net assets. The Organization is not restricted in the use of the trust assets once received. The Organization has recorded a beneficial interest in the charitable remainder unitrust totaling \$1,093,019 and \$776,617 at September 30, 2013 and 2012, respectively.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS

16. LEASES

The Organization has a three year operating lease for a warehouse and distribution facility in Howell, Michigan. Monthly payments are required through July 2014. The Organization has a three year operating lease for a warehouse and distribution facility in Taylor, Michigan. Monthly payments are required through September 2015. The Organization also operates warehouse and distribution facilities in Warren, Michigan under a three year operating lease agreement. Monthly payments are required through March 2016. The Organization extended the lease of office space in Dearborn, Michigan. Monthly payments are required through September 2015. The Organization also leases vehicles under terms of various operating leases. Monthly payments are required through October 2019.

Total rent expense for vehicles, equipment and facilities were \$822,000 and \$768,000 for the years ended September 30, 2013 and 2012, respectively.

The following is a schedule of annual future minimum lease payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2013:

Year	Amount
2014	\$ 592,130
2015	484,240
2016	233,653
2017	168,235
2018	131,407
Thereafter	<u>67,578</u>
Total future minimum lease payments	<u>\$1,677,243</u>



SUPPLEMENTARY INFORMATION

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SCHEDULE OF OPERATING HIGHLIGHTS

(UNAUDITED)

PERIOD ENDED SEPTEMBER 30

	2013	2012	2011	2010	2009
Pounds of food distributed	41,601,477	46,735,853	40,467,261	36,701,204	30,853,970
Pounds of donated food in ending inventory	902,000	606,000	1,505,000	2,370,000	1,550,000
Weighted average cost per pound	\$ 1.87	\$ 1.54	\$ 1.68	\$ 2.08	\$ 2.37
Pounds of purchased food in ending inventory	473,000	761,000	1,472,000	1,019,000	862,000
Cost per pound	\$ 0.49	\$ 0.48	\$ 0.37	\$ 0.54	\$ 0.53
Inventory turnover	35.5	24.7	13.6	12.6	19.6