

Gleaners  
Community  
Food Bank of  
Southeastern  
Michigan



Year Ended  
September 30,  
2014  
(with comparative  
totals for 2013)

Financial  
Statements

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

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**INDEPENDENT AUDITORS' REPORT**

January 19, 2015

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, 2014, 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, 2014, 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* 2013 financial statements, and our report dated January 7, 2014, 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 19, 2015 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

ASSETS	September 30	
	2014	2013
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,754,885	\$ 1,683,969
Receivables		
Trade - net of allowance for doubtful accounts of \$10,463 in 2014 and 2013	327,850	381,370
Grants	409,085	172,041
Promises to give	784,162	954,614
Promises to give for the use of facilities	141,960	141,960
Food inventories		
Donated	2,473,329	1,687,843
Purchased	320,649	231,318
Prepaid expenses and other current assets	66,022	92,692
<b>Total current assets</b>	<b>7,277,942</b>	<b>5,345,807</b>
Net property and equipment	3,581,632	3,679,440
Property held for sale	-	764,000
Promises to give	24,587	468,130
Promises to give for the use of facilities	340,399	476,797
Cash surrender value of life insurance	95,256	86,389
Beneficial interest in charitable remainder unitrust	1,245,322	1,093,019
Beneficial interest in Community Foundation Endowment Fund	1,747,694	1,703,059
<b>Total assets</b>	<b>\$ 14,312,832</b>	<b>\$ 13,616,641</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,199,005	\$ 1,564,741
Accrued liabilities	245,260	262,280
Current portion of note payable	37,033	36,729
<b>Total current liabilities</b>	<b>1,481,298</b>	<b>1,863,750</b>
Noncurrent portion of note payable	-	37,033
<b>Total liabilities</b>	<b>1,481,298</b>	<b>1,900,783</b>
<b>Unrestricted net assets</b>		
Cash and other activities	4,916,283	4,009,152
Noncash food donations/distributions	2,473,329	1,687,843
<b>Total unrestricted net assets</b>	<b>7,389,612</b>	<b>5,696,995</b>
Temporarily restricted net assets	3,598,972	4,229,415
Permanently restricted net assets	1,842,950	1,789,448
<b>Total net assets</b>	<b>12,831,534</b>	<b>11,715,858</b>
<b>Total liabilities and net assets</b>	<b>\$ 14,312,832</b>	<b>\$ 13,616,641</b>

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, 2014 (with comparative totals for 2013)

	Unrestricted		
	Cash and Other Activities	Noncash Food Donations/ Distributions	Total Unrestricted
<b>Revenue and other support</b>			
Donated food received	\$ -	\$ 38,044,359	\$ 38,044,359
<b>Contributions, grants and other revenue</b>			
Contributions	10,229,473	-	10,229,473
Special events revenue	459,398	-	459,398
United Way	162,198	-	162,198
Grants and indirect support	1,993,200	-	1,993,200
Purchased food revenue	4,232,634	-	4,232,634
Agency shared maintenance	771,349	-	771,349
Investment income	167,804	-	167,804
Change in beneficial interest in Community Foundation Endowment Fund	-	-	-
Change in beneficial interest in charitable remainder unitrust	-	-	-
Contribution for the use of facilities	-	-	-
Contributed services	42,910	-	42,910
Other	235,021	-	235,021
<b>Total contributions, grants, and other revenue</b>	<b>18,293,987</b>	<b>-</b>	<b>18,293,987</b>
Net assets released from restrictions	2,097,895	-	2,097,895
<b>Total revenue and other support</b>	<b>20,391,882</b>	<b>38,044,359</b>	<b>58,436,241</b>
<b>Expenses</b>			
<b>Program services - food bank</b>			
Personnel expense	3,916,808	-	3,916,808
Purchased food distributed	5,755,751	-	5,755,751
Donated food distributed	-	37,258,873	37,258,873
Transportation expense	718,572	-	718,572
Occupancy expense	1,760,225	-	1,760,225
General and administrative expense	3,606,189	-	3,606,189
<b>Total program services - food bank</b>	<b>15,757,545</b>	<b>37,258,873</b>	<b>53,016,418</b>
<b>Supporting services</b>			
Management and general	973,684	-	973,684
Fundraising	2,753,522	-	2,753,522
<b>Total supporting services</b>	<b>3,727,206</b>	<b>-</b>	<b>3,727,206</b>
<b>Total expenses</b>	<b>19,484,751</b>	<b>37,258,873</b>	<b>56,743,624</b>
<b>Impairment loss on property held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>907,131</b>	<b>785,486</b>	<b>1,692,617</b>
Net assets, beginning of year	4,009,152	1,687,843	5,696,995
<b>Net assets, end of year</b>	<b>\$ 4,916,283</b>	<b>\$ 2,473,329</b>	<b>\$ 7,389,612</b>

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



Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
\$ -	\$ -	\$ 38,044,359	\$ 51,536,947
1,065,149	-	11,294,622	12,665,788
-	-	459,398	746,934
150,000	-	312,198	177,732
100,000	-	2,093,200	1,860,662
-	-	4,232,634	4,059,081
-	-	771,349	1,092,321
-	-	167,804	158,723
-	44,635	44,635	87,010
152,303	-	152,303	326,402
-	-	-	692,073
-	-	42,910	-
-	8,867	243,888	227,118
<u>1,467,452</u>	<u>53,502</u>	<u>19,814,941</u>	<u>22,093,844</u>
<u>(2,097,895)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(630,443)</u>	<u>53,502</u>	<u>57,859,300</u>	<u>73,630,791</u>
-	-	3,916,808	4,088,992
-	-	5,755,751	6,314,082
-	-	37,258,873	50,779,554
-	-	718,572	834,509
-	-	1,760,225	1,770,395
-	-	3,606,189	3,454,487
-	-	<u>53,016,418</u>	<u>67,242,019</u>
-	-	973,684	1,113,662
-	-	2,753,522	3,132,352
-	-	<u>3,727,206</u>	<u>4,246,014</u>
-	-	<u>56,743,624</u>	<u>71,488,033</u>
-	-	-	<u>(917,820)</u>
<u>(630,443)</u>	<u>53,502</u>	<u>1,115,676</u>	<u>1,224,938</u>
<u>4,229,415</u>	<u>1,789,448</u>	<u>11,715,858</u>	<u>10,490,920</u>
<u>\$ 3,598,972</u>	<u>\$ 1,842,950</u>	<u>\$ 12,831,534</u>	<u>\$ 11,715,858</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

(with comparative totals for 2013)

	Program Services - Food Bank	Supporting Services		
		Management and General	Fundraising	Total
<b>Personnel expense</b>				
Salaries	\$ 3,107,134	\$ 475,134	\$ 820,685	\$ 1,295,819
Payroll taxes and employee benefits	809,674	127,234	219,769	347,003
<b>Total personnel expense</b>	<b>3,916,808</b>	<b>602,368</b>	<b>1,040,454</b>	<b>1,642,822</b>
Transportation expense	718,572	-	-	-
<b>Occupancy expense</b>				
Depreciation	445,582	-	-	-
Rent	313,889	27,783	64,827	92,610
Warehouse supplies	133,031	-	-	-
Utilities	380,738	42	7,896	7,938
Insurance	54,375	11	2,137	2,148
Repairs and maintenance	206,155	20	3,831	3,851
Security	60,539	12	2,204	2,216
Uniforms	23,513	-	-	-
Other occupancy	142,403	-	-	-
<b>Total occupancy expense</b>	<b>1,760,225</b>	<b>27,868</b>	<b>80,895</b>	<b>108,763</b>
<b>Other operating expense</b>				
Food bank affiliation requirements	131,247	-	-	-
Telephone	75,524	11,868	20,500	32,368
Operation Frontline	764,126	-	-	-
Travel and meetings	49,783	7,823	13,512	21,335
Office supplies and expense	204,655	23,010	39,745	62,755
On line service	277	44	75	119
Solicitation mailings	236,238	-	672,370	672,370
Public relations	6,777	1,065	1,839	2,904
Bank service charges	106,132	16,678	28,807	45,485
Bad debts	54,209	-	-	-
Event expense	-	42,373	342,836	385,209
Agency support	1,258,655	158,360	273,531	431,891
Professional fees	244,570	81,343	66,383	147,726
Media and communications	347,280	-	171,048	171,048
FEMA distributed	121,088	-	-	-
Miscellaneous	5,628	884	1,527	2,411
<b>Total other operating expense</b>	<b>3,606,189</b>	<b>343,448</b>	<b>1,632,173</b>	<b>1,975,621</b>
<b>Subtotal</b>	<b>10,001,794</b>	<b>973,684</b>	<b>2,753,522</b>	<b>3,727,206</b>
Purchased food distributed	5,755,751	-	-	-
Donated food distributed	37,258,873	-	-	-
<b>Total</b>	<b>\$ 53,016,418</b>	<b>\$ 973,684</b>	<b>\$ 2,753,522</b>	<b>\$ 3,727,206</b>

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

2014 Total Expenses	2013 Total Expenses
\$ 4,402,953	\$ 4,682,816
1,156,677	1,158,601
<u>5,559,630</u>	<u>5,841,417</u>
718,572	834,509
445,582	501,058
406,499	378,744
133,031	126,747
388,676	380,100
56,523	54,908
210,006	232,219
62,755	68,174
23,513	28,458
142,403	78,894
<u>1,868,988</u>	<u>1,849,302</u>
131,247	296,427
107,892	128,164
764,126	835,339
71,118	54,216
267,410	284,050
396	936
908,608	902,657
9,681	8,591
151,617	128,043
54,209	8,702
385,209	540,961
1,690,546	1,410,023
392,296	415,036
518,328	695,585
121,088	152,402
8,039	8,037
<u>5,581,810</u>	<u>5,869,169</u>
13,729,000	14,394,397
5,755,751	6,314,082
<u>37,258,873</u>	<u>50,779,554</u>
<u>\$ 56,743,624</u>	<u>\$ 71,488,033</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2014	2013
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,115,676	\$ 1,224,938
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	445,582	501,058
Contribution for use of facilities	-	(692,073)
Noncash rent expense for use of facilities	141,960	73,316
Loss on disposal of property and equipment	18,249	8,642
Impairment loss on property held for sale	-	917,820
Donated property and equipment	-	(88,498)
Donated food inventories	(785,486)	(757,393)
Change in beneficial interest in net assets of Community Foundation	(44,635)	(87,010)
Change in beneficial interest in charitable remainder unitrust	(152,303)	(326,402)
Change in cash surrender value of life insurance	(8,867)	(2,076)
Changes in operating assets and liabilities that provided (used) cash		
Accounts receivable, net	430,471	(11,383)
Purchased inventory	(89,331)	133,897
Prepaid expenses and other assets	26,670	20,606
Accounts payable	(365,736)	125,238
Accrued liabilities	(17,020)	(1,722)
<b>Net cash provided by operating activities</b>	<b>715,230</b>	<b>1,038,958</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(371,585)	(972,127)
Proceeds from property held for sale	764,000	-
<b>Net cash provided by (used in) investing activities</b>	<b>392,415</b>	<b>(972,127)</b>
<b>Cash flows from financing activities</b>		
Repayments on note payable	(36,729)	(36,553)
Proceeds from issuance of note payable	-	20,885
<b>Net cash used in financing activities</b>	<b>(36,729)</b>	<b>(15,668)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,070,916</b>	<b>51,163</b>
Cash and cash equivalents, beginning of year	1,683,969	1,632,806
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,754,885</b>	<b>\$ 1,683,969</b>
<b>Supplemental disclosures of cash flows information</b>		
Value of donated food received	\$ 38,044,359	\$ 51,536,947
Value of donated food distributed	\$ 37,258,873	\$ 50,779,554
Value of contribution for the use of facilities	\$ -	\$ 692,073
Value of donated property and equipment	\$ -	\$ 88,498
Value of noncash rent expense for use of facilities	\$ 141,960	\$ 73,316

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 (the "Organization") 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, 2014 and 2013, 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

### Trade Receivables

Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade receivables.

### 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:

# 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.
- *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 11.
- *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 12.

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.

### Contributed Services

Contributions of services are recognized when they are received for services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During 2014 donated accounting services were provided to the Organization. The value of these contributed services was \$42,910 for 2014 and \$0 for 2013, and has been recognized in the accompanying Statement of Activities.

### Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Company was granted income tax exemption by the Internal Revenue Service,

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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 Company has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

The Organization has evaluated its income tax filing positions for fiscal years 2010 through 2014, the years which remain subject to examination as of September 30, 2014. The Organization concluded that there are no significant uncertain tax positions requiring recognition in the Organization’s financial statements. The Organization does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2014 or 2013, and is not aware of any claims for such amounts by federal or state income tax authorities.

### 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 2013 financial statements have been reclassified to conform with the 2014 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, 2014, the most recent statement of financial position presented herein through January 19, 2015, the issuance date of these financial statements. No significant such events or transactions were identified.

## 2. PROMISES TO GIVE

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

	2014	2013
Promises outstanding	\$ 812,437	\$ 1,437,089
Less unamortized discount and allowance for uncollectible pledges	<u>3,688</u>	<u>14,345</u>
Promises to give, net	<u>\$ 808,749</u>	<u>\$ 1,422,744</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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

2015	\$ 784,162
2016	<u>28,275</u>
Total promises to give	<u>\$ 812,437</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.

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.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 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:

2014	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	<u>\$ 1,245,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,245,322</u>
Beneficial Interest in Community Foundation Endowment Fund	<u>\$ 1,747,694</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747,694</u>
Donated food inventory	<u>\$ 2,473,329</u>	<u>\$ -</u>	<u>\$ 2,473,329</u>	<u>\$ -</u>
Promises to give for the use of facilities	<u>\$ 482,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,359</u>
2013	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	<u>\$ 1,093,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,093,019</u>
Beneficial Interest in Community Foundation Endowment Fund	<u>\$ 1,703,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,703,059</u>
Donated Food Inventory	<u>\$ 1,687,843</u>	<u>\$ -</u>	<u>\$ 1,687,843</u>	<u>\$ -</u>
Promises to Give for the use of facilities	<u>\$ 618,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 618,757</u>
Property Held for Sale	<u>\$ 764,000</u>	<u>\$ -</u>	<u>\$ 764,000</u>	<u>\$ -</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 beneficial interest in the charitable remainder unitrust for the years ended September 30:

	2014	2013
Beginning of year	\$ 1,093,019	\$ 766,617
Net investment gain	<u>152,303</u>	<u>326,402</u>
<b>End of year</b>	<b><u>\$ 1,245,322</u></b>	<b><u>\$ 1,093,019</u></b>

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:

	2014	2013
Beginning of year	\$ 1,703,059	\$ 1,616,049
Change in beneficial interest	44,635	87,010
Net investment income	167,195	156,943
Distributions	<u>(167,195)</u>	<u>(156,943)</u>
<b>End of year</b>	<b><u>\$ 1,747,694</u></b>	<b><u>\$ 1,703,059</u></b>

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:

	2014	2013
Beginning of year	\$ 618,757	\$ -
Contribution for the use of facilities	-	692,073
Noncash rent expense	(141,960)	(76,894)
Plus amortized discount	<u>5,562</u>	<u>3,578</u>
<b>End of year</b>	<b><u>\$ 482,359</u></b>	<b><u>\$ 618,757</u></b>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2014	2013
Land	\$ 125,295	\$ 125,295
Building and building improvements	5,341,321	5,271,425
Warehouse equipment	1,111,631	1,100,764
Furniture and equipment	1,448,252	1,418,359
Vehicles	653,829	794,827
Construction in progress	<u>407,810</u>	<u>166,466</u>
Total property and equipment	9,088,138	8,877,136
Less accumulated depreciation	<u>5,506,506</u>	<u>5,197,696</u>
<b>Net property and equipment</b>	<b><u>\$ 3,581,632</u></b>	<b><u>\$ 3,679,440</u></b>

Estimated costs to complete construction in progress as of September 30, 2014 totaled \$503,000.

### 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.

### 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:

	2014	2013
Promises to give for the use of facilities	\$ 490,945	\$ 632,905
Less unamortized discount (to net present value)	<u>8,586</u>	<u>14,148</u>
<b>Promises to give, net</b>	<b><u>\$ 482,359</u></b>	<b><u>\$ 618,757</u></b>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

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

2015	\$ 141,960
2016	141,960
2017	141,960
2018	<u>65,065</u>
<b>Total</b>	<b><u>\$ 490,945</u></b>

### 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 donated food received and distributed was recorded as revenue and expense, respectively based on the weighted average of inventory values at the beginning and end of year.

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

	2014	2013
Donated	\$ 20,202,930	\$ 26,414,308
Purchased	<u>13,830,761</u>	<u>15,187,169</u>
<b>Total</b>	<b><u>\$ 34,033,691</u></b>	<b><u>\$ 41,601,477</u></b>

### 8. DEBT

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

	2014	2013
Note payable to Feeding America, collateralized by a vehicle, due in annual principal installments of \$29,810, plus 4% interest through December 2014.	\$ 29,810	\$ 59,620
Note payable, collateralized by equipment, due in monthly payments of \$702, including 13.65% interest through September 2015.	<u>7,223</u>	<u>14,142</u>
Long-term debt	37,033	73,762
Less current portion	<u>37,033</u>	<u>36,729</u>
<b>Total long-term debt, net of current portion</b>	<b><u>\$ -</u></b>	<b><u>\$ 37,033</u></b>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 9. LINE OF CREDIT

The Organization has a line-of-credit agreement with a bank under which the Organization may borrow up to \$500,000, due on demand, at the bank's prime rate (effective rate of 3.25% as of September 30, 2014) collateralized by inventory and accounts receivable of the Organization. There were no outstanding borrowings as of September 30, 2014.

### 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 \$0 and \$45,000 for the years ended September 30, 2014 and 2013, respectively.

### 11. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Program services	\$ 1,520,439	\$ 1,905,318
Nourishing Hope Breakfast	135,062	203,490
Client choice pantries	113,790	78,604
Beneficial interest in charitable remainder unitrust - time restricted	1,245,322	1,093,019
Mercado Pantry	75,000	176,895
Mercado Pantry use of facilities	482,359	618,757
Other time restrictions	<u>27,000</u>	<u>153,332</u>
<b>Total</b>	<b><u>\$ 3,598,972</u></b>	<b><u>\$ 4,229,415</u></b>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 12. PERMANENTLY RESTRICTED NET ASSETS

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

	2014	2013
Cash surrender value of life insurance (proceeds of policy to be utilized to fund an endowment)	\$ 95,256	\$ 86,389
Beneficial interest in Community Foundation Endowment Fund (see Note 13)	<u>1,747,694</u>	<u>1,703,059</u>
<b>Total</b>	<b><u>\$ 1,842,950</u></b>	<b><u>\$ 1,789,448</u></b>

### 13. 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 \$167,195 and \$156,943 during the years ended September 2014 and 2013, respectively. The Organization has recorded a beneficial interest in assets held by the Foundation totaling \$1,747,694 and \$1,703,059 at September 30, 2014 and 2013, 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 \$1,952,549 and \$1,898,463 at September 30, 2014 and 2013, respectively.

### 14. 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 \$1,245,322 and \$1,093,019 at September 30, 2014 and 2013, respectively.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

### 15. LEASES

The Organization has a three year operating lease for a warehouse and distribution facility in Howell, Michigan. Monthly payments are required through July 2017. 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 shortened the lease of office space in Dearborn, Michigan. Monthly payments are required through December 2014. The Organization also leases vehicles under terms of various operating leases. Monthly payments are required through October 2020.

Total rent expense for vehicles, equipment and facilities were \$725,000 and \$822,000 for the years ended September 30, 2014 and 2013, 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, 2014:

Year	Amount
2015	\$ 573,815
2016	403,760
2017	322,983
2018	198,341
2019	132,111
Thereafter	<u>74,628</u>
Total future minimum lease payments	<u>\$1,705,638</u>



## SUPPLEMENTARY INFORMATION

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## ■ SCHEDULE OF OPERATING HIGHLIGHTS (UNAUDITED) PERIOD ENDED SEPTEMBER 30

	2014	2013	2012	2011	2010
Pounds of food distributed	34,033,691	41,601,477	46,735,853	40,467,261	36,701,204
Pounds of donated food in ending inventory	1,554,000	902,000	606,000	1,505,000	2,370,000
Weighted average cost per pound	\$ 1.77	\$ 1.87	\$ 1.54	\$ 1.68	\$ 2.08
Pounds of purchased food in ending inventory	553,000	473,000	761,000	1,472,000	1,019,000
Cost per pound	\$ 0.58	\$ 0.49	\$ 0.48	\$ 0.37	\$ 0.54
Inventory turnover	18.25	35.5	24.7	13.6	12.6