

Food Gatherers
(a nonprofit Michigan corporation)
Ann Arbor, Michigan

Financial Statements

June 30, 2017 and 2016

Food Gatherers

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Independent Auditors' Report

To the Board of Directors
Food Gatherers
Ann Arbor, Michigan

We have audited the accompanying financial statements of Food Gatherers (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 Food Gatherers as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Altruic Advisors, PLLC

Certified Public Accountants

Ann Arbor, Michigan
October 16, 2017

Food Gatherers

Statements of Financial Position

June 30	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 608,448	\$ 335,434
Designated cash	1,426,575	1,406,050
Investments	899,430	788,701
Food inventory, net of allowance for spoilage of \$63,389 in 2017 and \$459,931 in 2016	472,077	621,704
Pledges and grants receivable, net of allowance, current	29,210	153,752
Accounts receivable, net	40,761	48,593
Prepaid expenses	3,930	8,864
Total current assets	<u>3,480,431</u>	<u>3,363,098</u>
Property and Equipment		
Equipment and furniture	319,326	295,595
Vehicles	74,517	-
Building and improvements	5,163,657	5,154,936
Land	165,613	165,613
Less accumulated depreciation	(1,368,952)	(1,174,386)
Net property and equipment	<u>4,354,161</u>	<u>4,441,758</u>
Other Assets		
Pledges and grants receivable, net of current portion	<u>-</u>	<u>9,350</u>
Total assets	<u>\$ 7,834,592</u>	<u>\$ 7,814,206</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 42,331	\$ 26,040
Accrued liabilities	97,842	110,232
Total current liabilities	<u>140,173</u>	<u>136,272</u>
Net Assets		
Unrestricted:		
Undesignated	1,100,723	1,226,956
Property and equipment	4,354,161	4,441,758
Board-designated for operations	2,170,325	1,846,118
Total unrestricted	<u>7,625,209</u>	<u>7,514,832</u>
Temporarily restricted	69,210	163,102
Total net assets	<u>7,694,419</u>	<u>7,677,934</u>
Total liabilities and net assets	<u>\$ 7,834,592</u>	<u>\$ 7,814,206</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Statements of Activities

Years ended June 30	2017		
	Unrestricted	Temporarily Restricted	Total
Support, Revenue, and Gains			
Support			
In-kind contributions	\$ 9,550,397	\$ -	\$ 9,550,397
Contributions	2,223,858	-	2,223,858
Grants	1,108,766	33,097	1,141,863
Special events, net of expenses of \$115,286 in 2017 and \$75,640 in 2016	548,841	13,000	561,841
Total support	<u>13,431,862</u>	<u>46,097</u>	<u>13,477,959</u>
Revenue and Gains			
Food bank sales	228,928	-	228,928
Other revenue	9,991	-	9,991
Interest income	4,762	-	4,762
Total revenue and gains	<u>243,681</u>	<u>-</u>	<u>243,681</u>
Net assets released from restrictions	139,989	(139,989)	-
Total support, revenue, and gains	<u>13,815,532</u>	<u>(93,892)</u>	<u>13,721,640</u>
Functional Expenses and Loss			
Functional Expenses			
Program services			
Food rescue and distribution	12,597,483	-	12,597,483
Community kitchen	409,647	-	409,647
Job training	40,963	-	40,963
Total program services	<u>13,048,093</u>	<u>-</u>	<u>13,048,093</u>
Supporting services			
General and administrative	374,409	-	374,409
Fundraising	281,206	-	281,206
Total supporting services	<u>655,615</u>	<u>-</u>	<u>655,615</u>
Total functional expenses	13,703,708	-	13,703,708
Loss			
Loss on disposal of property and equipment	1,447	-	1,447
Total functional expenses and loss	<u>13,705,155</u>	<u>-</u>	<u>13,705,155</u>
Change in Net Assets	110,377	(93,892)	16,485
Net Assets, Beginning of Year	<u>7,514,832</u>	<u>163,102</u>	<u>7,677,934</u>
Net Assets, End of Year	<u>\$ 7,625,209</u>	<u>\$ 69,210</u>	<u>\$ 7,694,419</u>

2016

Unrestricted	Temporarily Restricted	Total
\$ 9,393,785	\$ -	\$ 9,393,785
2,106,314	-	2,106,314
801,503	-	801,503
<u>487,820</u>	<u>39,078</u>	<u>526,898</u>
<u>12,789,422</u>	<u>39,078</u>	<u>12,828,500</u>
229,568	-	229,568
16,185	-	16,185
7,199	-	7,199
<u>252,952</u>	<u>-</u>	<u>252,952</u>
176,088	(176,088)	-
<u>13,218,462</u>	<u>(137,010)</u>	<u>13,081,452</u>
11,932,386	-	11,932,386
445,245	-	445,245
60,729	-	60,729
<u>12,438,360</u>	<u>-</u>	<u>12,438,360</u>
438,466	-	438,466
328,042	-	328,042
<u>766,508</u>	<u>-</u>	<u>766,508</u>
13,204,868	-	13,204,868
1,042	-	1,042
<u>13,205,910</u>	<u>-</u>	<u>13,205,910</u>
12,552	(137,010)	(124,458)
<u>7,502,280</u>	<u>300,112</u>	<u>7,802,392</u>
<u>\$ 7,514,832</u>	<u>\$ 163,102</u>	<u>\$ 7,677,934</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Statement of Functional Expenses

Year ended June 30, 2017

	Program Services		
	Food Rescue and Distribution	Community Kitchen	Job Training
Cost of food distributed - in-kind	\$ 9,653,714	\$ -	\$ -
Cost of food distributed - purchased	1,101,721	102,089	1,854
Total cost of food distributed	<u>10,755,435</u>	<u>102,089</u>	<u>1,854</u>
Salaries and wages	750,725	222,413	17,500
Fringe benefits	186,447	22,764	311
Payroll taxes	94,271	10,149	150
Total personnel costs	<u>1,031,443</u>	<u>255,326</u>	<u>17,961</u>
Occupancy	144,883	27,195	9
Depreciation	170,137	-	-
Equipment rental and maintenance	160,728	-	-
Supplies	92,690	21,909	341
Advertising and marketing	392	782	-
Partner programs	59,821	-	-
Grants to partner agencies	51,500	-	-
Vehicle expenses	50,106	-	-
Insurance	26,303	-	-
Postage and shipping	1,232	-	-
Bank and credit card charges	-	-	-
Specific assist - stipends	7,230	-	19,732
Accounting fees	-	-	-
IT consulting and website	825	-	-
Dues and subscriptions	10,663	347	-
Telephone	11,821	1,123	295
Travel	7,643	865	771
Miscellaneous expense	6,431	-	-
Donated delivery services	5,000	-	-
Training	3,200	11	-
Total expenses	<u>\$ 12,597,483</u>	<u>\$ 409,647</u>	<u>\$ 40,963</u>

Supporting Services				
Total	General and Administrative	Fundraising	Total	Total Expenses
\$ 9,653,714	\$ -	\$ -	\$ -	\$ 9,653,714
1,205,664	-	-	-	1,205,664
<u>10,859,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,859,378</u>
990,638	191,837	168,687	360,524	1,351,162
209,522	3,407	2,996	6,403	215,925
104,570	1,645	1,447	3,092	107,662
<u>1,304,730</u>	<u>196,889</u>	<u>173,130</u>	<u>370,019</u>	<u>1,674,749</u>
172,087	48,814	326	49,140	221,227
170,137	30,024	-	30,024	200,161
160,728	3,357	-	3,357	164,085
114,940	5,232	3,301	8,533	123,473
1,174	-	69,231	69,231	70,405
59,821	-	-	-	59,821
51,500	-	-	-	51,500
50,106	-	-	-	50,106
26,303	8,366	-	8,366	34,669
1,232	752	28,113	28,865	30,097
-	30,038	-	30,038	30,038
26,962	-	-	-	26,962
-	23,398	-	23,398	23,398
825	19,270	103	19,373	20,198
11,010	2,363	3,467	5,830	16,840
13,239	1,250	755	2,005	15,244
9,279	900	821	1,721	11,000
6,431	2,592	1,624	4,216	10,647
5,000	-	-	-	5,000
3,211	1,164	335	1,499	4,710
<u>\$ 13,048,093</u>	<u>\$ 374,409</u>	<u>\$ 281,206</u>	<u>\$ 655,615</u>	<u>\$ 13,703,708</u>

The accompanying Notes are an integral part of these financial statements

Food Gatherers

Statement of Functional Expenses

Year ended June 30, 2016

	Program Services		
	Food Rescue and Distribution	Community Kitchen	Job Training
Cost of food distributed - in-kind	\$ 9,410,939	\$ -	\$ -
Cost of food distributed - purchased	990,047	122,281	2,186
Total cost of food distributed	<u>10,400,986</u>	<u>122,281</u>	<u>2,186</u>
Salaries and wages	670,900	205,647	14,825
Fringe benefits	97,376	42,782	2,219
Payroll taxes	50,975	22,609	1,063
Total personnel costs	<u>819,251</u>	<u>271,038</u>	<u>18,107</u>
Occupancy	138,918	22,670	1
Depreciation	167,060	-	-
Equipment rental and maintenance	146,487	-	-
Advertising and marketing	185	-	-
Supplies	56,047	24,355	79
Grants to partner agencies	51,750	-	-
Specific assist - stipends	11,944	51	36,822
Insurance	39,358	-	-
Vehicle expenses	45,007	-	-
Bank and credit card charges	-	-	-
IT consulting and website	849	-	-
Dues and subscriptions	13,610	341	-
Training	8,233	212	1,976
Accounting fees	-	-	-
Evaluation and planning	250	-	-
Telephone	10,314	987	181
Travel	7,388	877	1,377
Miscellaneous expense	4,422	7	-
Farming program	7,252	-	-
Postage and shipping	1,317	6	-
Contractual services	-	2,420	-
Partner programs	1,423	-	-
Donated delivery services	335	-	-
Total expenses	<u>\$ 11,932,386</u>	<u>\$ 445,245</u>	<u>\$ 60,729</u>

Supporting Services				
Total	General and Administrative	Fundraising	Total	Total Expenses
\$ 9,410,939	\$ -	\$ -	\$ -	\$ 9,410,939
1,114,514	-	-	-	1,114,514
<u>10,525,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,525,453</u>
891,372	225,137	183,088	408,225	1,299,597
142,377	33,608	26,675	60,283	202,660
74,647	16,106	12,784	28,890	103,537
<u>1,108,396</u>	<u>274,851</u>	<u>222,547</u>	<u>497,398</u>	<u>1,605,794</u>
161,589	36,095	259	36,354	197,943
167,060	29,481	-	29,481	196,541
146,487	-	-	-	146,487
185	-	88,995	88,995	89,180
80,481	3,434	3,057	6,491	86,972
51,750	-	-	-	51,750
48,817	500	-	500	49,317
39,358	8,888	-	8,888	48,246
45,007	659	-	659	45,666
-	25,361	-	25,361	25,361
849	18,440	106	18,546	19,395
13,951	1,905	1,700	3,605	17,556
10,421	4,743	2,002	6,745	17,166
-	15,240	-	15,240	15,240
250	14,234	-	14,234	14,484
11,482	841	966	1,807	13,289
9,642	433	1,031	1,464	11,106
4,429	3,029	1,999	5,028	9,457
7,252	-	-	-	7,252
1,323	332	5,380	5,712	7,035
2,420	-	-	-	2,420
1,423	-	-	-	1,423
335	-	-	-	335
<u>\$ 12,438,360</u>	<u>\$ 438,466</u>	<u>\$ 328,042</u>	<u>\$ 766,508</u>	<u>\$ 13,204,868</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended June 30	2017	2016
Cash Flows From Operating Activities		
Change in net assets	\$ 16,485	\$ (124,458)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	200,161	196,541
Loss on disposal of property and equipment	1,447	1,042
Donated inventory and provision for spoilage	136,799	17,490
Donated equipment	(2,000)	-
Increase (decrease) from changes in assets and liabilities		
Purchased food inventory	12,828	(6,618)
Pledges and grants receivable	124,542	3,470
Accounts receivable	7,832	6,747
Prepaid expenses	4,934	3,061
Accounts payable	16,291	(18,453)
Accrued liabilities	(12,390)	39,570
Refundable advances	-	(50,000)
Net cash provided by operating activities	<u>506,929</u>	<u>68,392</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(112,011)	(10,771)
Proceeds from sale of investments	921,549	241,273
Purchases of investments	(1,032,278)	(263,230)
Net cash used by investing activities	<u>(222,740)</u>	<u>(32,728)</u>
Cash Flows From Financing Activities		
Collection of contributions receivable for expansion of building	9,350	133,540
Net cash provided by financing activities	<u>9,350</u>	<u>133,540</u>
Net Increase in Cash and Cash Equivalents	293,539	169,204
Cash and Cash Equivalents, Including Designated Cash and Cash Equivalents, Beginning of Year	<u>1,741,484</u>	<u>1,572,280</u>
Cash and Cash Equivalents, Including Designated Cash and Cash Equivalents, End of Year	<u>\$ 2,035,023</u>	<u>\$ 1,741,484</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Food Gatherers ("the Organization") is a not-for-profit Michigan corporation recognized as exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization's sources of revenue are primarily private and public contributions and grants, special events, food bank sales, and in-kind donations. The Organization supports local feeding programs throughout Washtenaw County through collection and delivery of surplus perishable food from local sources and from the acquisition and distribution of nonperishable food through a national food bank program.

Description of Program Services:

Food Rescue and Distribution - Food Gatherers procures unsellable, but edible, food from the food industry, receives direct donations of food, administers certain government food programs, and purchases food from wholesalers. Food is stored and packaged and delivered to more than 100 other nonprofit agencies such as homeless shelters, food pantries, low income housing, and after school programs, who then distribute food to people in need throughout Washtenaw County.

Community Kitchen - Food Gatherers operates the Community Kitchen, which is located in the Robert J. Delonis Center, home of the Shelter Association of Washtenaw County. Volunteers transform rescued and bulk food into useful food resources, and prepare and serve 19 meals per week to those in need.

Job Training - The Food Gatherers Community Kitchen Job Training Program is part of the Organization's overall effort to not merely alleviate hunger but to end hunger. Students obtain marketable skills at the same time they are feeding neighbors in need. By targeting young adults who are often recipients of food assistance, the hope is to help them secure gainful employment in the food industry. The training curriculum reflects the skills and experiences that local food service employers are seeking. Food Gatherers also offers paid internships at the warehouse or at the Community Kitchen.

Description of Supporting Services:

General and Administrative - Includes the functions necessary to provide support to the Organization's program activities. General and administrative activities include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, governments, and corporations, including donations and pledges received during special events. The majority of Food Gatherers' special event revenue is generated through the annual Rockin' and Grillin' events.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Asset Restriction Classification. The Organization has adopted accounting standards which require that the Organization distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. These standards require that resources be classified for reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The three net asset categories are as follows:

Unrestricted net assets. Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets. Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. Once the stipulation is met, the assets are released from restriction and the expenditure is recorded in the activities of unrestricted net assets.

Permanently restricted net assets. Net assets subject to donor-imposed stipulations that require the donated assets to be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on the corpus for general or specific purposes. There are no permanently restricted net assets at June 30, 2017 and 2016.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fair Value Measurements. The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued).

Level 2. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for certain assets measured at fair value. There have been no changes in methodologies used at June 30, 2017 and 2016.

Certificates of deposit:

The Organization values certificates of deposit at fair value by discounting the related cash flows on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer. Early withdrawal charges may apply in the event the instruments are liquidated prior to their scheduled maturity date.

The carrying amount of other assets held by the Organization approximate fair value due to the short-term nature of such assets.

The valuation methodology may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Food inventory. Purchased food inventory is comprised of nonperishable purchased food, and is stated at lower of cost or market value. Cost is determined on a first-in, first-out basis. Donated food inventory is comprised of perishable and nonperishable food and is recorded as inventory and contribution revenue at its estimated fair value at the date of donation, taking into consideration spoilage and utility for use.

Pledges and Grants Receivable. Pledges and grants receivable are stated net of allowances for doubtful amounts. Management provides for probable doubtful pledges through a provision for bad debt expense and an adjustment to the allowance account based on its assessment of the current status of individual pledges. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable account.

Pledges and grants receivable were due as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 29,210	\$ 155,752
Due in one to five years	-	9,350
Less: allowance for doubtful pledges	-	(2,000)
	<u>\$ 29,210</u>	<u>\$ 163,102</u>

Accounts Receivable. Predominately all accounts receivable at June 30, 2017 and 2016 are related to food bank sales. Management has determined that accounts receivable are fully collectible and has not recorded an allowance for doubtful accounts as of June 30, 2017.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using straight-line methods over the estimated useful lives of the assets. In general, asset lives are thirty-nine years for buildings, seven years for vehicles, and five to seven years for equipment and furniture.

Depreciation expense for the years ended June 30, 2017 and 2016 was \$200,161 and \$196,541, respectively.

Impairment of Long-Lived Assets. In the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2017 and 2016.

Refundable Advances. Grant funding amounts received in advance of incurring related expenses are considered refundable advances and are deferred. Revenue is recognized as the related costs are incurred.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributions. Contributions are recognized when donations are received. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions and grants that are restricted by the donor or grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Food Inventory. All donated inventory is recorded at fair value and is received from private businesses, organizations, and individuals. Donated inventory is considered to be unrestricted support unless the inventory explicitly contains donor restrictions. The Organization only records the value of donated inventory in which it is either the original recipient of the gift, is involved in partnership with another organization for distribution, or if the inventory is used in the Organization's programs.

Donated food inventories are weighed when they leave the Organization's warehouse for distribution. During the year ended June 30, 2017, an average value per pound of \$1.73 was used to value donations of mixed food and non-food items that were received and distributed to clients, and to value inventory on hand at year end. This per pound value is published annually by Feeding America, a national organization of which the Organization is an affiliate. Beginning July 1, 2016, the Organization reassessed its estimates of the value of U.S. Department of Agriculture ("USDA") food-only donations it receives. See *Change in Accounting Estimate*.

Contributed Services. Contributed services are recognized if the services received satisfy the criteria for recognition. The contributions of services are recognized if services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's administrative services. However, these donated services are not reflected in the financial statements since the services are not professional in nature, and as such, do not meet the criteria for recognition as contributed services.

Advertising. The Organization expenses advertising costs as they are incurred. Costs, expensed as advertising and marketing in the Statements of Functional Expenses, were \$70,405 and \$89,180 for the years ended June 30, 2017 and 2016, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2016 have been reclassified to conform to current year presentation, without affecting the change in net assets.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 16, 2017, the date at which the financial statements were available for release.

Note 2 - Change in Accounting Estimate

Management has reassessed its estimates of the value of USDA food that the Organization receives by donation. On July 1, 2016, the Organization began using food values as provided by the USDA Food Value Reports. For other food and non-food donations, the Organization continues to use the per pound value as provided annually by Feeding America. The effects of reflecting this change in accounting estimate on the financial statements for the year ended June 30, 2017 are as follows:

Decrease in:

Donations received of USDA food	<u>\$ 605,832</u>
Value of USDA food inventory at year-end, net of allowance for spoilage	<u>\$ 50,835</u>

Note 3 - Fair Value Measurements

The following table presents, by level within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2017. As required, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 899,430</u>	<u>\$ -</u>	<u>\$ 899,430</u>	<u>\$ -</u>

The following table presents, by level within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2016. As required, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 788,701</u>	<u>\$ -</u>	<u>\$ 788,701</u>	<u>\$ -</u>

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 4 - Donated Food and In-Kind Services

A summary of in-kind goods and services is as follows at June 30:

	<u>2017</u>	<u>2016</u>
Donated perishable and nonperishable food	\$ 9,515,263	\$ 9,393,450
Donated software	22,484	-
Donated equipment and supplies	6,000	-
Donated delivery services	5,000	335
Donated graphic design services	1,650	-
	<u>\$ 9,550,397</u>	<u>\$ 9,393,785</u>

Note 5 - Letter of Credit

The Organization has an irrevocable standby letter of credit to secure payment of insurance claims on its self-insured state unemployment plan. The letter of credit stood at \$49,775 at June 30, 2017 and 2016. The letter of credit is unsecured.

Note 6 - Commitments

Operating Leases. The Organization leases various vehicles and equipment under noncancelable operating leases. The leases require base monthly payments, excluding any usage and maintenance charges, ranging from \$257 and \$1,853, and begin to expire in October 2017. Rent expense under these leases totaled \$164,085 and \$137,421 for the years ended June 30, 2017 and 2016, respectively.

Future annual minimum lease payments under operating leases are as follows at June 30, 2017:

Year ended <u>June 30,</u>	<u>Total</u>
2018	\$ 121,632
2019	113,402
2020	67,500
2021	37,113
2022	22,695
	<u>\$ 362,342</u>

Note 7 - Board-Designated Net Assets

As of June 30, 2017 and 2016, the Organization's board of directors has designated net assets for operations of \$2,170,325 and \$1,846,118, respectively. These designations are based on the next six months of budgeted operational expenses as of the respective year-end. Of these amounts, the board of directors has also set aside \$1,426,575 and \$1,406,505 as designated cash as of June 30, 2017 and 2016, respectively.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 8 - Temporarily Restricted Net Assets

The balance of temporarily restricted net assets at June 30, 2017 is as follows:

	<u>July 1, 2016</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2017</u>
Pledges and grants receivable, net	\$ 163,102	\$ 6,097	\$ 139,989	\$ 29,210
Summer Food program	-	40,000	-	40,000
	<u>\$ 163,102</u>	<u>\$ 46,097</u>	<u>\$ 139,989</u>	<u>\$ 69,210</u>

The balance of temporarily restricted net assets at June 30, 2016 is as follows:

	<u>July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>June 30, 2016</u>
Pledges and grants receivable, net	\$ 300,112	\$ 39,078	\$ 176,088	\$ 163,102

Note 9 - Special Events

The Organization derived net revenue from the following special fundraising events during the year ended June 30, 2017:

	<u>Grillin'</u>	<u>Rockin'</u>	<u>Total</u>
Sales and Contributions	\$ 342,289	\$ 334,838	\$ 677,127
Direct costs	(108,792)	(6,494)	(115,286)
Net revenue	<u>\$ 233,497</u>	<u>\$ 328,344</u>	<u>\$ 561,841</u>

The Organization derived net revenue from the following special fundraising events during the year ended June 30, 2016:

	<u>Grillin'</u>	<u>Rockin'</u>	<u>Other</u>	<u>Total</u>
Sales and Contributions	\$ 255,350	\$ 269,014	\$ 78,174	\$ 602,538
Direct costs	(31,825)	(2,005)	(41,810)	(75,640)
Net revenue	<u>\$ 223,525</u>	<u>\$ 267,009</u>	<u>\$ 36,364</u>	<u>\$ 526,898</u>

Note 10 - Retirement Plan and Subsequent Event

The Organization maintains a 401(k) plan covering all employees who have completed at least 90 days of service. The Organization matches 100% of employee deferrals up to 4% of compensation. After two years of employment, employees will receive a minimum profit sharing contribution of 3% of the previous year's compensation, whether or not they participate in the Plan. Amounts contributed by the Organization were \$65,396 and \$59,630 for the years ended June 30, 2017 and 2016, respectively.

Food Gatherers

Notes to Financial Statements

June 30, 2017 and 2016

Note 10 - Retirement Plan and Subsequent Event (continued)

In July 2017, the Organization amended the 401(k) plan. Effective July 1, 2017, all new employees will have a 3% deferral automatically withheld from compensation upon completing 90 days of service and the Organization will make a safe harbor matching contribution of 200% of an employee's deferrals that do not exceed 3% of compensation. These matching contributions are 100% vested.

Note 11 - State Unemployment Self-Insurance Plan

The Organization participates in a state unemployment self insurance plan. The claim exposure varies based on the number of state approved claims. Under the plan, the Organization accrues the estimated expense of state unemployment costs based on approved claims received from its insurance company. There were no accruals as of June 30, 2017 and 2016. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Note 12 - Concentrations

Major Donor. The Organization had one major donor of noncash food product, which comprised approximately 13% of total support and revenue for the year ended June 30, 2017.

Bank Deposits. At certain times during the years ended June 30, 2017 and 2016, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Geographical. The Organization receives a substantial amount of its support from within the Washtenaw County area. The effects of this concentration of credit risk on the Organization's financial statements have not been determined for the years ended June 30, 2017 and 2016.