

---

**FOOD GATHERERS**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

---

---

**FOOD GATHERERS**  
Financial Statements  
For the years ended June 30, 2013 and 2012

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES .....	4
STATEMENTS OF CASH FLOWS.....	5
STATEMENTS OF FUNCTIONAL EXPENSES.....	6
NOTES TO FINANCIAL STATEMENTS .....	8

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Food Gatherers  
Ann Arbor, Michigan

### ***Report on the Financial Statements***

We have audited the accompanying statements of financial position of Food Gatherers (a nonprofit organization) as of June 30, 2013 and 2012, 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013 and 2012, and the changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully,

*Bennett & Associates CPAs PLLC*

Ann Arbor, Michigan  
October 8, 2013

**FOOD GATHERERS**  
**STATEMENTS OF FINANCIAL POSITION**  
*June 30,*

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,226,476	\$ 2,960,082
Unconditional promises to give, net of allowance and discount	679,123	136,390
Investments	427,050	401,654
Accounts receivable, net	128,003	109,524
Inventory	134,787	126,339
Current portion of note receivable	4,584	7,578
Total current assets	3,600,023	3,741,567
Long term assets		
Note receivable, less current portion	-	4,584
Unconditional promises to give, net of discount and current portion	376,204	-
Construction in progress	1,309,814	-
Property and equipment, net of accumulated depreciation	2,026,387	1,877,365
Total long term assets	3,712,405	1,881,949
Total Assets	\$ 7,312,428	\$ 5,623,516
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 452,031	\$ 32,750
Accrued liabilities	21,588	19,012
Current portion of notes payable	-	50,000
Total current liabilities	473,619	101,762
<b>Net Assets</b>		
Unrestricted		
Operating	777,117	1,865,463
Property and equipment	3,336,201	1,877,365
Board-designated	1,670,164	1,642,536
Unrestricted net assets	5,783,482	5,385,364
Temporarily restricted	1,055,327	136,390
<b>TOTAL NET ASSETS</b>	6,838,809	5,521,754
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 7,312,428	\$ 5,623,516

**FOOD GATHERERS**  
**STATEMENTS OF ACTIVITIES**  
*For the years ended June 30,*

	Unrestricted	Temporarily Restricted	2013	2012
<b>UNRESTRICTED NET ASSETS</b>				
REVENUES, GAINS, AND OTHER SUPPORT				
Grants	\$ 583,159	\$ -	\$ 583,159	\$ 606,265
Contributions	1,672,433	1,615,371	3,287,804	1,878,979
Donated goods and services, primarily perishable food	6,339,372	-	6,339,372	6,758,398
Special events, net of expenses of \$46,762 and \$47,121 respectively	311,539	-	311,539	318,922
Food Bank sales	488,564	-	488,564	543,760
Interest and dividend income	9,469	-	9,469	16,998
Other revenue	787	-	787	265
Net assets released from restrictions	696,434	(696,434)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>10,101,757</u>	<u>918,937</u>	<u>11,020,694</u>	<u>10,123,587</u>
EXPENSES AND LOSSES				
Program Services				
Food rescue and distribution	8,766,267	-	8,766,267	9,206,437
Community kitchen	361,553	-	361,553	362,226
Job training	68,127	-	68,127	80,937
Supporting Services				
Management and general	275,061	-	275,061	206,884
Fund-raising	232,631	-	232,631	217,751
TOTAL EXPENSES AND LOSSES	<u>9,703,639</u>	<u>-</u>	<u>9,703,639</u>	<u>10,074,235</u>
INCREASE (DECREASE) IN NET ASSETS	<u>398,118</u>	<u>918,937</u>	<u>1,317,055</u>	<u>49,352</u>
NET ASSETS AT BEGINNING OF YEAR	<u>5,385,364</u>	<u>136,390</u>	<u>5,521,754</u>	<u>5,472,402</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 5,783,482</u></u>	<u><u>\$ 1,055,327</u></u>	<u><u>\$ 6,838,809</u></u>	<u><u>\$ 5,521,754</u></u>

**FOOD GATHERERS**  
**STATEMENTS OF CASH FLOWS**  
*For the years ended June 30,*

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 1,317,055	\$ 49,352
Adjustments to reconcile increase (decrease) in net assets to net cash provided/(used) by operations:		
Depreciation	68,702	77,888
Forgiveness of debt	(50,000)	-
Donations restricted to building expansion	(1,474,664)	
Change in:		
Unconditional promises to give, net of allowance and discount	(4,317)	(2,385)
Accounts receivable	(18,479)	(44,696)
Inventory	(8,448)	7,508
Prepaid expenses	-	10,516
Accounts payable	419,281	18,750
Accrued liabilities	2,576	(7,291)
Deferred revenue	-	(13,750)
Net cash provided/(used) by operations	251,706	95,892
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(25,395)	(17,640)
Purchase of fixed assets	(1,527,539)	(9,428)
Payments received on note receivable	7,578	7,237
Proceeds from sale of investments	-	901,000
Net cash provided/(used) by investing activities	(1,545,356)	881,169
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of contributions receivable for expansion of building	560,044	-
Principal payments on capital lease	-	(11,758)
Net cash provided/(used) by financing activities	560,044	(11,758)
<b>NET CHANGE IN CASH &amp; CASH EQUIVALENTS</b>	(733,606)	965,303
<b>BEGINNING CASH &amp; CASH EQUIVALENTS</b>	2,960,082	1,994,779
<b>ENDING CASH &amp; CASH EQUIVALENTS</b>	\$ 2,226,476	\$ 2,960,082
<b><u>SUPPLEMENTAL INFORMATION</u></b>		
Cash paid for interest	\$ -	\$ -

**FOOD GATHERERS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
*For the year ended June 30, 2013, with comparable totals for 2012*

	Food Bank	Community	Job	Total	Supporting Services		Total	Total
	Food Rescue	Kitchen	Training	Program Services	Management and General	Fund-Raising	2013	2012
<b>Grants and allocations to others</b>	\$ 135,251	\$ -	\$ 33,107	\$ 168,358	\$ -	\$ -	\$ 168,358	\$ 181,990
<b>Cost of Food Distributed</b>	1,213,457	39,813	2,401	1,255,671	-	-	1,255,671	1,329,611
	1,348,708	39,813	35,508	1,424,029	-	-	1,424,029	1,511,601
<b>Employee Compensation</b>								
Wages	516,857	208,015	15,817	740,689	140,860	148,421	1,029,970	945,071
Fringe benefits	56,990	32,910	3,014	92,914	15,502	16,304	124,720	100,763
Pension	22,141	12,805	1,515	36,461	11,752	6,146	54,359	48,152
Payroll taxes	31,924	26,000	4,003	61,927	8,151	6,792	76,870	84,913
	627,912	279,730	24,349	931,991	176,265	177,663	1,285,919	1,178,899
<b>Other Expenses</b>								
Accounting fees	-	-	-	-	12,650	-	12,650	15,055
Professional services - other	-	-	-	-	-	-	-	15,854
Supplies	73,848	22,471	1,896	98,215	11,764	-	109,979	110,468
Telephone	8,999	643	643	10,285	1,286	1,285	12,856	13,083
Postage & shipping	3,757	160	80	3,997	2,398	1,598	7,993	7,992
Occupancy								
Utilities & maintenance	47,787	13,200	-	60,987	10,045	-	71,032	59,401
Repairs & maintenance	26,456	5,359	-	31,815	6,614	-	38,429	42,052
Equipment rental & maintenance	157,302	-	-	157,302	-	-	157,302	114,407
Travel	5,339	170	439	5,948	1,335	-	7,283	6,314
Conferences, conventions & meetings	9,463	7	352	9,822	1,075	1,074	11,971	11,789
Depreciation	58,397	-	-	58,397	10,305	-	68,702	77,888
Donated food	6,336,496	-	-	6,336,496	-	-	6,336,496	6,755,843
Donated services	2,876	-	-	2,876	-	-	2,876	2,555
Advertising & promotion	-	-	-	-	-	48,879	48,879	46,734
Insurance	27,107	-	-	27,107	3,883	-	30,990	24,302
Special Events	-	-	-	-	-	46,762	46,762	47,121
All other	31,820	-	4,860	36,680	37,441	2,132	76,253	79,998
<b>Total expenses</b>	<b>\$ 8,766,267</b>	<b>\$ 361,553</b>	<b>\$ 68,127</b>	<b>\$ 9,195,947</b>	<b>\$ 275,061</b>	<b>\$ 279,393</b>	<b>\$ 9,750,401</b>	<b>\$ 10,121,356</b>
Less expenses included with revenues on statement of activities	-	-	-	-	-	(46,762)	(46,762)	(47,121)
<b>Total expenses shown on the statement of activities</b>	<b>\$ 8,766,267</b>	<b>\$ 361,553</b>	<b>\$ 68,127</b>	<b>\$ 9,195,947</b>	<b>\$ 275,061</b>	<b>\$ 232,631</b>	<b>\$ 9,703,639</b>	<b>\$ 10,074,235</b>



**FOOD GATHERERS**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
*For the year ended June 30,*

	Food Bank Food Rescue	Community Kitchen	Job Training	Total Program Services	Supporting Services		Total 2012
					Management and General	Fund- Raising	
<b>Grants and allocations to others</b>	\$ 143,361	\$ -	\$ 38,629	\$ 181,990	\$ -	\$ -	\$ 181,990
<b>Cost of Food Distributed</b>	1,288,315	38,044	3,252	1,329,611	-	-	1,329,611
	1,431,676	38,044	41,881	1,511,601	-	-	1,511,601
<b>Employee Compensation</b>							
Wages	500,854	206,227	19,569	726,650	76,527	141,894	945,071
Fringe benefits	47,264	29,217	3,046	79,527	7,871	13,365	100,763
Pension	19,310	14,311	1,523	35,144	7,709	5,299	48,152
Payroll taxes	35,850	27,945	4,337	68,132	9,153	7,628	84,913
	603,278	277,700	28,475	909,453	101,260	168,186	1,178,899
<b>Other Expenses</b>							
Accounting fees	-	-	-	-	15,055	-	15,055
Supplies	64,856	25,840	3,558	94,254	16,214	-	110,468
Telephone	9,159	654	654	10,467	1,308	1,308	13,083
Postage & shipping	3,756	160	80	3,996	2,398	1,598	7,992
Occupancy							
Utilities & maintenance	36,089	14,400	-	50,489	8,912	-	59,401
Repairs & maintenance	29,802	4,800	-	34,602	7,450	-	42,052
Equipment rental & maintenance	114,407	-	-	114,407	-	-	114,407
Travel	4,601	332	231	5,164	1,150	-	6,314
Conferences, conventions & meetings	10,152	296	235	10,683	1,106	-	11,789
Depreciation	66,205	-	-	66,205	11,683	-	77,888
Donated food	6,755,843	-	-	6,755,843	-	-	6,755,843
Donated services	-	-	-	-	2,555	-	2,555
Advertising & promotion	60	-	-	60	15	46,659	46,734
Insurance	21,756	-	-	21,756	2,546	-	24,302
Special Events	-	-	-	-	-	47,121	47,121
All other	38,943	-	5,823	44,766	35,232	-	79,998
<b>Total expenses</b>	<b>\$ 9,206,437</b>	<b>\$ 362,226</b>	<b>\$ 80,937</b>	<b>\$ 9,649,600</b>	<b>\$ 206,884</b>	<b>\$ 264,872</b>	<b>\$ 10,121,356</b>
Less expenses included with revenues on statement of activities	-	-	-	-	-	(47,121)	(47,121)
<b>Total expenses shown on the statement of activities</b>	<b>\$ 9,206,437</b>	<b>\$ 362,226</b>	<b>\$ 80,937</b>	<b>\$ 9,649,600</b>	<b>\$ 206,884</b>	<b>\$ 217,751</b>	<b>\$ 10,074,235</b>

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Food Gatherers (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Organization and Nature of Activities***

Food Gatherers 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 foods through a national food bank program.

Food Gatherers also 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 meals to those in need.

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 and at the same time they are feeding neighbors in need. By targeting young adults who are often recipients of food assistance, the organization hopes to help them secure gainful employment in the food industry. The organization also gets to give back to local food donors who so generously support Food Gatherers - - the organization's training curriculum reflects the skills and experience that local food service employers are seeking.

***Basis of Presentation***

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized as they are incurred.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

*Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Board-designated net assets have been appropriated by the Board of Directors from undesignated net assets for the purpose of setting aside funds for such items as repairing and/or replacing fixed assets and equipment, purchasing emergency food products and funding new programs.

*Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met, by actions of the Organization and/or the passage of time. When a 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. Restrictions met in the same year as the revenue is recognized are treated as unrestricted revenue and expense.

*Permanently restricted net assets* – Net assets that contain donor-imposed restrictions that require the Organization to permanently maintain these resources, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The Organization does not have any permanently restricted net assets.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, Food Gatherers reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

**Note A – Summary of Significant Accounting Policies (continued)**

***Inventory***

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. Food Gatherers does not inventory donated goods.

***Receivables and Allowance for Doubtful Accounts***

Substantially all accounts receivable at June 30, 2013 and 2012 are related to food bank sales and grant proceeds expected to be received shortly after year-end. Management has determined that accounts receivable are fully collectible and has not recorded an allowance for doubtful accounts. The decision not to record an allowance is based on the aging of the receivable as well as the nature of their customers. Accounts are not written off until management has exhausted all resources of collecting the receivable or if the customer has ceased to exist. Management considers all accounts over 90 days past due and delinquent if outstanding more than 180 days.

***Deferred Revenue***

Deferred revenue consists of grants received related to program events that will occur in the subsequent fiscal year.

***Property and Equipment***

Property and equipment are stated at cost, or where applicable, fair or appraised value at the date of donation. Depreciation is computed using the double declining balance method over estimated useful lives of the assets.

Major expenditures for property and those that substantially increase the useful life are capitalized.

Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts, and resulting gains or losses are recognized.

***Advertising Costs***

The Organization expenses advertising production costs as they are incurred. Advertising costs for the years ended June 30, 2013 and 2012 were \$48,879 and \$46,735, respectively.

***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.

***Income Tax Status***

The Organization is exempt from federal income tax under Internal Revenue Service Code Section 501(c)(3). Food Gatherers qualifies for the charitable contribution deduction under Section 170(b) (1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization's Form 990 returns for 2010, 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after being filed.

***Subsequent Events***

Subsequent events have been evaluated through October 8, 2013, the date the financial statements were available to be issued.

**NOTE B - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give consist of the following at June 30:

	2013	2012
Receivable in less than one year	\$ 686,440	\$ 136,390
Receivable in one to five years	403,730	-
Total unconditional promises to give	1,090,170	136,390
Less unamortized discount	(24,843)	-
Less allowance for uncollectible promises	(10,000)	-
	1,055,327	136,390
Less: current portion	(679,123)	(136,390)
Unconditional promises to give - non current	\$ 376,204	\$ -

**NOTE C - INVESTMENTS**

Long-term investments are stated at fair value. No investments are used as collateral. Investments are stated at June 30, as follows:

	2013 Fair Value	2012 Fair Value
Fixed income securities:		
Government sponsored enterprises	\$ 249,970	\$ 249,970
Certificates of deposit	177,080	151,684
	\$ 427,050	\$ 401,654

Investments in fixed income securities are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

All investments are classified as Level 1 in the fair value hierarchy established in FASB ASC 820 *Fair Value Measurements and Disclosures*. Fair values for Level 1 assets are taken from quoted prices in active markets.

Investment return is not restricted. Investment returns at June 30, are as follows:

	June 30,	
	2013	2012
Interest Income	\$ 991	\$ 17,640
Total investment return	\$ 991	\$ 17,640

**NOTE D - FAIR VALUE MEASUREMENTS**

Fair value measurements of assets measured on a nonrecurring basis are as follows:

	<u>2013</u>	<u>2012</u>
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Multi-year unconditional promises to give		
Balance at beginning of year	\$ 3,000	\$ 3,000
New Pledges	1,509,507	-
Less collected pledges	(563,044)	-
Change estimate of uncollectible pledges	(10,000)	-
Change in fair value adjustment	<u>(24,843)</u>	<u>-</u>
Balance at end of year	<u>\$ 914,620</u>	<u>\$ 3,000</u>

Changes in the estimate of uncollectible pledges were made based on management's review of individual pledges and knowledge of the donors.

**NOTE E - NOTE RECEIVABLE**

The Organization has an unsecured note receivable due from a limited partnership for reimbursement of certain expenses incurred by the Organization. The note receivable balance outstanding at June 30, 2013 and 2012 was \$4,584 and \$12,162, respectively. Management believes the note is fully collectible.

**NOTE F - FIXED ASSETS**

Fixed assets consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Building	\$ 2,148,092	\$ 2,148,092
Equipment	444,125	226,401
Land	165,613	165,613
Vehicles	<u>155,551</u>	<u>155,551</u>
	2,913,381	2,695,657
Less accumulated depreciation	<u>(886,994)</u>	<u>(818,292)</u>
	2,026,387	1,945,824
Construction in progress	<u>1,309,814</u>	<u>-</u>
	<u>\$ 3,336,201</u>	<u>\$ 1,877,365</u>

Depreciation expense was \$68,702 and \$77,888 for the years ended June 30, 2013 and 2012, respectively.

**NOTE G - NOTES PAYABLE**

Notes payable at June 30 are as follows:

	2013	2012
City of Ann Arbor, 0% interest, balance to be forgiven if Food Gatherers continues operations at 1 Carrot Way until 2/1/2013. See Note L.	\$ -	\$ 50,000
Constuction loan from Ann Arbor State Bank with maturity date of April 26, 2014. Interest rate is the Wall Street Journal Prime rate, and the initial interest rate of the loan was 3.25%. The amount of principal that can be advanced on this loan is \$2,000,000. At June 30, 2013, no principal amount had been advanced.	-	-
	-	50,000
Less current portion	-	50,000
Long term portion	\$ -	\$ -

As of September 30, 2013, Food Gatherers owed \$705,808 on the construction loan.

**NOTE H - LEASES**

***Operating Leases***

In fiscal year 2013, the Organization had four non-cancelable operating leases in effect. Total lease expense was \$97,090 and \$62,235 for years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under non-cancelable leases are:

For the years ended June 30		
2014	\$	88,152
2015		88,152
2016		77,838
2017		74,400
2018 and thereafter		127,662
	\$	456,204

**NOTE I - RETIREMENT PLAN**

Effective January 1, 2011, the Organization established a 401k plan, and will no longer make employer contributions to its SIMPLE IRA plan. Employees become eligible for the 401k plan after 60 days of service. After one year of service, if a participating employee elects to contribute 3% of their salary to the plan, the Organization will contribute an additional 4% of salary. After two years of service, the Organization will contribute 3% of an employee's salary, regardless of the employee's participation. The amounts contributed by the Organization were \$54,359 and \$48,150 in 2013 and 2012, respectively.

**NOTE J - CONCENTRATIONS OF CREDIT RISK**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash, promises to give, and accounts receivable. Cash on deposit with financial institutions exceeded FDIC insured limits by \$0 at June 30, 2013.

Promises to give are due from several contributors and are not collateralized. Promises to give are presented net of management's estimate of uncollectible accounts. Concentrations of credit risk with respect to accounts receivable are limited due to the number of grantors and agencies comprising the Organization's receivables.

**NOTE K - DONATED FOOD AND SERVICES**

Donated perishable food and certain donated services are reported in the financial statements at their estimated values. The estimate is based on \$1.66 and \$1.66 per pound of food for the years ended June 30, 2013 and 2012, respectively, based on information obtained from Feeding America, the national affiliate of the Organization. Donated services include payroll processing services. A summary of in-kind donations is as follows:

	2013	2012
Donated nonperishable and perishable food	\$ 6,336,496	\$ 6,755,843
Donated services and materials	2,876	2,555
	\$ 6,339,372	\$ 6,758,398

Approximately 72,741 hours of additional donated services were received in 2013 but were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

**NOTE L - CONDITIONAL PROMISE TO GIVE**

Food Gatherers received funds from the City of Ann Arbor that were used to repair the former building and to repay a portion of the land contract for the purchase of the property located at 1 Carrot Way, formerly 1731 Dhu Varren Road. These funds were repayable to the City if the successor facilities ceased to be used for food distribution services prior to February 1, 2013, after which date the entire amount would be forgiven. Food Gatherers had accordingly, recorded a liability for the total amount. Since Food Gatherers has remained at the Carrot Way property through February 1, 2013, this liability was converted to a contribution and was recognized in the fiscal year ended June 30, 2013.

**NOTE M - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE N - RESTRICTIONS/LIMITATIONS ON NET ASSETS**

The Organization had the following temporarily restricted net assets at June 30:

	2013	2012
Capital campaign promises to give to be received in subsequent years	\$ 914,620	\$ 3,000
United Way allocation to be received in next fiscal year	119,020	120,000
Other promises to give to be received in subsequent year	21,687	13,390
	\$ 1,055,327	\$ 136,390