

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

Financial Statements

June 30, 2018 and 2017

Food Gatherers

Table of Contents

Independent Auditors' Report	Pages 1-2
Statements of Financial Position June 30, 2018 and 2017	Page 3
Statements of Activities Years ended June 30, 2018 and 2017	Page 4
Statement of Functional Expenses Year ended June 30, 2018	Page 5
Statement of Functional Expenses Year ended June 30, 2017	Page 6
Statements of Cash Flows Years ended June 30, 2018 and 2017	Page 7
Notes to Financial Statements	Pages 8-17

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, 2018 and 2017, 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, 2018 and 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of Food Gatherers' 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 solely 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 the effectiveness of Food Gatherers' 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 Food Gatherers' internal control over financial reporting and compliance.

Altruic Advisors, PLLC

Certified Public Accountants

Ann Arbor, Michigan
October 19, 2018

Food Gatherers

Statements of Financial Position

June 30	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,431,737	\$ 2,035,023
Investments	849,113	899,430
Food inventory, net of allowance for spoilage of \$81,848 in 2018 and \$63,389 in 2017	663,082	472,077
Pledges and grants receivable	51,000	29,210
Accounts receivable	27,840	40,761
Prepaid expenses	22,360	3,930
Total current assets	<u>4,045,132</u>	<u>3,480,431</u>
Property and Equipment		
Equipment and furniture	344,994	319,326
Vehicles	74,517	74,517
Building and improvements	5,163,657	5,163,657
Land	165,613	165,613
Less accumulated depreciation	(1,575,639)	(1,368,952)
Net property and equipment	<u>4,173,142</u>	<u>4,354,161</u>
Total assets	<u>\$ 8,218,274</u>	<u>\$ 7,834,592</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 46,550	\$ 42,331
Accrued compensation and benefits	82,138	96,363
Other accrued expenses	1,785	1,479
Refundable advances	20,962	-
Total current liabilities	<u>151,435</u>	<u>140,173</u>
Net Assets		
Without donor restrictions		
Undesignated	1,547,534	1,100,723
Net property and equipment	4,173,142	4,354,161
Board-designated for operations	2,240,163	2,170,325
Total without donor restrictions	<u>7,960,839</u>	<u>7,625,209</u>
With donor restrictions	106,000	69,210
Total net assets	<u>8,066,839</u>	<u>7,694,419</u>
Total liabilities and net assets	<u>\$ 8,218,274</u>	<u>\$ 7,834,592</u>

The accompanying Notes are an integral part of these financial statements

Food Gatherers

Statements of Activities

Years ended June 30	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support and Revenue			
Support			
In-kind contributions	\$ 8,684,835	\$ -	\$ 8,684,835
Contributions	2,337,569	15,000	2,352,569
Grants	917,536	50,000	967,536
Special events, net of expenses of \$110,298 in 2018 and \$115,410 in 2017	556,354	-	556,354
Total support	<u>12,496,294</u>	<u>65,000</u>	<u>12,561,294</u>
Revenue			
Food bank revenue	239,953	-	239,953
Other revenue	7,516	-	7,516
Total revenue	<u>247,469</u>	<u>-</u>	<u>247,469</u>
Net assets released from restrictions			
Expiration of time restrictions	28,210	(28,210)	-
Total operating support and revenue	<u>12,771,973</u>	<u>36,790</u>	<u>12,808,763</u>
Operating Expenses			
Program services			
Food rescue and distribution	11,328,603	-	11,328,603
Community kitchen	435,717	-	435,717
Total program services	<u>11,764,320</u>	<u>-</u>	<u>11,764,320</u>
Supporting services			
General and administrative	347,164	-	347,164
Fundraising	340,132	-	340,132
Total supporting services	<u>687,296</u>	<u>-</u>	<u>687,296</u>
Total operating expenses	<u>12,451,616</u>	<u>-</u>	<u>12,451,616</u>
Total operating support and revenue in excess of operating expenses	320,357	36,790	357,147
Other Changes			
Interest income	15,273	-	15,273
Loss on disposal of property and equipment	-	-	-
Total other changes	<u>15,273</u>	<u>-</u>	<u>15,273</u>
Change in Net Assets	335,630	36,790	372,420
Net Assets, Beginning of Year	<u>7,625,209</u>	<u>69,210</u>	<u>7,694,419</u>
Net Assets, End of Year	<u>\$ 7,960,839</u>	<u>\$ 106,000</u>	<u>\$ 8,066,839</u>

2017

<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 9,550,397	\$ -	\$ 9,550,397
2,223,858	-	2,223,858
1,108,766	33,097	1,141,863
<u>548,717</u>	<u>13,000</u>	<u>561,717</u>
<u>13,431,738</u>	<u>46,097</u>	<u>13,477,835</u>
228,928	-	228,928
9,991	-	9,991
<u>238,919</u>	<u>-</u>	<u>238,919</u>
<u>139,989</u>	<u>(139,989)</u>	<u>-</u>
<u>13,810,646</u>	<u>(93,892)</u>	<u>13,716,754</u>
12,597,483	-	12,597,483
450,610	-	450,610
<u>13,048,093</u>	<u>-</u>	<u>13,048,093</u>
374,409	-	374,409
281,082	-	281,082
<u>655,491</u>	<u>-</u>	<u>655,491</u>
<u>13,703,584</u>	<u>-</u>	<u>13,703,584</u>
107,062	(93,892)	13,170
4,762	-	4,762
(1,447)	-	(1,447)
<u>3,315</u>	<u>-</u>	<u>3,315</u>
110,377	(93,892)	16,485
<u>7,514,832</u>	<u>163,102</u>	<u>7,677,934</u>
<u>\$ 7,625,209</u>	<u>\$ 69,210</u>	<u>\$ 7,694,419</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services		
	Food Rescue and Distribution	Community Kitchen	Total
Cost of food distributed - in-kind	\$ 8,450,696	\$ -	\$ 8,450,696
Cost of food distributed - purchased	1,158,618	93,251	1,251,869
Total cost of food distributed	<u>9,609,314</u>	<u>93,251</u>	<u>9,702,565</u>
Salaries and wages	750,330	220,236	970,566
Fringe benefits	118,433	46,978	165,411
Payroll taxes	49,946	20,996	70,942
Total personnel costs	<u>918,709</u>	<u>288,210</u>	<u>1,206,919</u>
Depreciation	183,024	-	183,024
Occupancy	161,139	18,452	179,591
Equipment rental and maintenance	150,509	-	150,509
Supplies	69,978	18,736	88,714
Vehicle expenses	55,573	-	55,573
Grants to partner agencies	50,325	-	50,325
Advertising and marketing	702	-	702
Bank and credit card charges	-	-	-
Insurance	33,119	-	33,119
Partner programs	30,220	-	30,220
Specific assist - stipends	12,315	12,161	24,476
IT consulting and website	4,200	-	4,200
Postage and shipping	1,461	10	1,471
Accounting fees	-	-	-
Dues and subscriptions	11,973	355	12,328
Telephone	11,129	1,592	12,721
Travel	10,427	1,799	12,226
Training	7,828	911	8,739
Miscellaneous expense	960	240	1,200
Donated delivery services	5,000	-	5,000
Farming program	448	-	448
Evaluation and planning	250	-	250
Total expenses	<u>\$ 11,328,603</u>	<u>\$ 435,717</u>	<u>\$ 11,764,320</u>



Supporting Services

General and Administrative	Fundraising	Total	Total Expenses
\$ -	\$ -	\$ -	\$ 8,450,696
-	-	-	1,251,869
-	-	-	9,702,565
185,131	185,278	370,409	1,340,975
29,221	29,245	58,466	223,877
12,194	12,204	24,398	95,340
<u>226,546</u>	<u>226,727</u>	<u>453,273</u>	<u>1,660,192</u>
32,298	-	32,298	215,322
32,561	-	32,561	212,152
1,216	-	1,216	151,725
4,696	473	5,169	93,883
-	-	-	55,573
-	-	-	50,325
-	45,077	45,077	45,779
3,044	39,073	42,117	42,117
5,957	-	5,957	39,076
-	-	-	30,220
-	1,590	1,590	26,066
14,700	2,506	17,206	21,406
997	16,868	17,865	19,336
18,952	-	18,952	18,952
2,063	1,478	3,541	15,869
1,269	994	2,263	14,984
372	975	1,347	13,573
419	2,433	2,852	11,591
2,074	1,938	4,012	5,212
-	-	-	5,000
-	-	-	448
-	-	-	250
<u>\$ 347,164</u>	<u>\$ 340,132</u>	<u>\$ 687,296</u>	<u>\$ 12,451,616</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	Total
Cost of food distributed - in-kind	\$ 9,653,714	\$ -	\$ 9,653,714
Cost of food distributed - purchased	1,101,721	103,943	1,205,664
Total cost of food distributed	<u>10,755,435</u>	<u>103,943</u>	<u>10,859,378</u>
Salaries and wages	750,725	239,913	990,638
Fringe benefits	186,447	23,075	209,522
Payroll taxes	94,271	10,299	104,570
Total personnel costs	<u>1,031,443</u>	<u>273,287</u>	<u>1,304,730</u>
Occupancy	144,883	27,204	172,087
Depreciation	170,137	-	170,137
Equipment rental and maintenance	160,728	-	160,728
Supplies	92,690	22,250	114,940
Advertising and marketing	392	782	1,174
Partner programs	59,821	-	59,821
Grants to partner agencies	51,500	-	51,500
Vehicle expenses	50,106	-	50,106
Insurance	26,303	-	26,303
Postage and shipping	1,232	-	1,232
Bank and credit card charges	-	-	-
Specific assist - stipends	7,230	19,732	26,962
Accounting fees	-	-	-
IT consulting and website	825	-	825
Dues and subscriptions	10,663	347	11,010
Telephone	11,821	1,418	13,239
Travel	7,643	1,636	9,279
Miscellaneous expense	6,431	-	6,431
Donated delivery services	5,000	-	5,000
Training	3,200	11	3,211
Total expenses	<u>\$ 12,597,483</u>	<u>\$ 450,610</u>	<u>\$ 13,048,093</u>



Supporting Services

<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>
\$ -	\$ -	\$ -	\$ 9,653,714
-	-	-	1,205,664
-	-	-	10,859,378
191,837	168,687	360,524	1,351,162
3,407	2,996	6,403	215,925
1,645	1,447	3,092	107,662
<u>196,889</u>	<u>173,130</u>	<u>370,019</u>	<u>1,674,749</u>
48,814	326	49,140	221,227
30,024	-	30,024	200,161
3,357	-	3,357	164,085
5,232	3,177	8,409	123,349
-	69,231	69,231	70,405
-	-	-	59,821
-	-	-	51,500
-	-	-	50,106
8,366	-	8,366	34,669
752	28,113	28,865	30,097
30,038	-	30,038	30,038
-	-	-	26,962
23,398	-	23,398	23,398
19,270	103	19,373	20,198
2,363	3,467	5,830	16,840
1,250	755	2,005	15,244
900	821	1,721	11,000
2,592	1,624	4,216	10,647
-	-	-	5,000
1,164	335	1,499	4,710
<u>\$ 374,409</u>	<u>\$ 281,082</u>	<u>\$ 655,491</u>	<u>\$ 13,703,584</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	2018	2017
Cash Flows From Operating Activities		
Change in net assets	\$ 372,420	\$ 16,485
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	215,322	200,161
Loss on disposal of property and equipment	-	1,447
Donated food inventory and provision for spoilage	(229,138)	136,799
Donated equipment	-	(2,000)
Increase (decrease) from changes in assets and liabilities		
Purchased food inventory	38,133	12,828
Pledges and grants receivable	(21,790)	133,892
Accounts receivable	12,921	7,832
Prepaid expenses	(18,430)	4,934
Accounts payable	4,219	16,291
Accrued compensation and benefits	(14,225)	(12,111)
Other accrued expenses	306	(279)
Refundable advances	20,962	-
Net cash provided by operating activities	<u>380,700</u>	<u>516,279</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(34,303)	(112,011)
Proceeds from sale of investments	899,430	921,549
Purchases of investments	(849,113)	(1,032,278)
Net cash provided (used) by investing activities	<u>16,014</u>	<u>(222,740)</u>
Net Increase in Cash and Cash Equivalents	396,714	293,539
Cash and Cash Equivalents, Beginning of Year	<u>2,035,023</u>	<u>1,741,484</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,431,737</u>	<u>\$ 2,035,023</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

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. 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, 2018 and 2017

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 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 two net asset categories according to externally (donor) imposed restrictions. The two net asset categories are as follows:

Without donor restrictions. Net assets not subject to donor-imposed stipulations.

With donor restrictions. Net assets subject to donor-imposed stipulations that may or may not be met by either actions of the Organization and/or the passage of time.

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.

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.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

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

Fair Value Measurements (continued).

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, 2018 and 2017.

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 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. Management has determined that pledges and grants receivable are fully collectible and has not recorded an allowance for doubtful pledges and grants as of June 30, 2018 and 2017.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

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

Accounts Receivable. Predominately all accounts receivable at June 30, 2018 and 2017 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, 2018 and 2017.

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$5,000, 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, 2018 and 2017 was \$215,322 and \$200,161, 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, 2018 and 2017.

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.

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 years ended June 30, 2018 and 2017, an average price per pound of \$1.68 and \$1.73, respectively, 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.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

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

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 \$45,779 and \$70,405 for the years ended June 30, 2018 and 2017, 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.

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 19, 2018, the date at which the financial statements were available for release.

Note 2 - New Accounting Pronouncement

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the stated purpose of improving financial reporting by not-for-profit entities. During the year ended June 30, 2018, the Organization adopted the requirements of ASU 2016-14 and, as a result, adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

The temporarily restricted net asset class has been renamed "net assets with donor restrictions".

The unrestricted net asset class has been renamed "net assets without donor restrictions".

The financial statements include a new disclosure about liquidity and availability of resources (Note 11).

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

Note 2 - New Accounting Pronouncement (continued)

The changes have the following effect on net assets at June 30, 2017:

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 7,625,209	\$ -
Temporarily restricted net assets	69,210	-
Net assets without donor restrictions	-	7,625,209
Net assets with donor restrictions	-	69,210
	<u>\$ 7,694,419</u>	<u>\$ 7,694,419</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 3 - Fair Value Measurements

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2018:

	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	<u>\$ 849,113</u>	<u>\$ -</u>	<u>\$ 849,113</u>	<u>\$ -</u>

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2017:

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

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2018 and 2017, there were no significant transfers in or out of fair value levels.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

Note 4 - Board-Designated Net Assets

As of June 30, 2018 and 2017, the Organization's board of directors designated net assets for operations of \$2,240,163 and \$2,170,325, respectively. These designations are based on the next six months of budgeted operational expenses as of the respective year-end.

Note 5 - Net Assets with Donor Restrictions

A summary of net assets with donor restrictions at June 30, 2018 is as follows:

	July 1, 2017	Additions	Releases	June 30, 2018
Time restrictions	\$ 29,210	\$ 50,000	\$ 28,210	\$ 51,000
Purpose restrictions				
Summer food program	40,000	5,000	-	45,000
Job training program	-	10,000	-	10,000
	<u>\$ 69,210</u>	<u>\$ 65,000</u>	<u>\$ 28,210</u>	<u>\$ 106,000</u>

A summary of net assets with donor restrictions at June 30, 2017 is as follows:

	July 1, 2016	Additions	Releases	June 30, 2017
Time restrictions	\$ 163,102	\$ 6,097	\$ 139,989	\$ 29,210
Purpose restrictions				
Summer food program	-	40,000	-	40,000
	<u>\$ 163,102</u>	<u>\$ 46,097</u>	<u>\$ 139,989</u>	<u>\$ 69,210</u>

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 expire from November 2018 through May 2022. Rent expense under these leases totaled \$146,700 and \$164,085 for the years ended June 30, 2018 and 2017, respectively.

Future annual minimum lease payments under operating leases are as follows at June 30, 2018:

Year ended June 30	Total
2019	\$ 113,402
2020	67,500
2021	37,113
2022	22,695
	<u>\$ 240,710</u>

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

Note 7 - 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 \$52,299 and \$49,775 at June 30, 2018 and 2017, respectively. The letter of credit is unsecured.

Note 8- In-Kind Contributions

In-kind contributions consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Donated food	\$ 8,645,882	\$ 9,520,263
Donated software	-	22,484
Donated equipment and supplies	33,053	6,000
Donated delivery services	5,000	-
Donated graphic design services	900	1,650
	<u>\$ 8,684,835</u>	<u>\$ 9,550,397</u>

Note 9 - Special Events

The Organization derived net revenue from the following special fundraising events during the year ended June 30, 2018:

	<u>Grillin'</u>	<u>Rockin'</u>	<u>Total</u>
Sales and Contributions	\$ 333,227	\$ 333,425	\$ 666,652
Direct costs	(105,830)	(4,468)	(110,298)
Net revenue	<u>\$ 227,397</u>	<u>\$ 328,957</u>	<u>\$ 556,354</u>

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	(108,916)	(6,494)	(115,410)
Net revenue	<u>\$ 233,373</u>	<u>\$ 328,344</u>	<u>\$ 561,717</u>

Note 10 - Retirement Plan

The Organization maintains a 401(k) plan covering all employees who have completed at least 90 days of service. The Organization makes 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. Amounts contributed by the Organization were \$100,912 and \$65,396 for the years ended June 30, 2018 and 2017, respectively. In July 2017, the Organization amended the 401(k) plan, and as a result, the employer matching contributions increased from 100% to 200%. Additionally, all new employees automatically defer 3% of compensation upon completing 90 days of service.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

Note 11 - Liquidity and Availability

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 6 months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,431,738	\$ 2,035,023
Investments	849,113	899,430
Pledges and grants receivable	51,000	29,210
Accounts receivable	27,840	40,761
Prepaid expenses	22,359	3,930
	<u>3,382,050</u>	<u>3,008,354</u>
Less amounts not available to be used within one year:		
Assets designated by the board for operational reserve	(2,240,163)	(2,170,325)
Pledges and grants receivable for long-term purposes	(1,000)	(11,880)
	<u>(2,241,163)</u>	<u>(2,182,205)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,140,887</u>	<u>\$ 826,149</u>

Note 12 - 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, 2018 and 2017. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

Food Gatherers

Notes to Financial Statements

June 30, 2018 and 2017

Note 13 - Concentrations

Major Donor. The Organization had one major donor of noncash food product, which comprised approximately 14% and 13% of total support and revenue for the years ended June 30, 2018 and 2017, respectively.

Bank Deposits. At certain times during the years ended June 30, 2018 and 2017, 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 and revenue 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, 2018 and 2017.