
FOOD GATHERERS
Financial Statements
For the years ended June 30, 2015 and 2014

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, 2015 and 2014, 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 Food Gatherers as of June 30, 2015 and 2014, 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, *OMB Circular A-133 Reports*, dated October 15, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
October 15, 2015

FOOD GATHERERS
STATEMENTS OF FINANCIAL POSITION
June 30,

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,572,280	\$ 713,448
Unconditional promises to give, net of allowance	163,312	292,440
Investments	766,744	893,856
Accounts receivable, net	55,340	84,508
Inventory	155,156	229,511
Prepaid expenses	11,925	22,157
Total current assets	2,724,757	2,235,920
Unconditional promises to give, net of discount and current portion	136,800	446,217
Property and equipment, net of accumulated depreciation	4,628,570	4,816,593
	4,765,370	5,262,810
TOTAL ASSETS	\$ 7,490,127	\$ 7,498,730
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 44,493	\$ 29,539
Accrued liabilities	70,662	86,933
Refundable advances	50,000	50,000
Total current liabilities	165,155	166,472
Net Assets		
Unrestricted		
Operating	605,833	97,529
Property and equipment	4,628,570	4,816,593
Board-designated	1,783,166	1,679,479
Total unrestricted net assets	7,017,569	6,593,601
Temporarily restricted	307,403	738,657
TOTAL NET ASSETS	7,324,972	7,332,258
TOTAL LIABILITIES AND NET ASSETS	\$ 7,490,127	\$ 7,498,730

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

	Unrestricted	Temporarily Restricted	2015	2014
REVENUES, GAINS, AND OTHER SUPPORT				
Grants	\$ 537,713	\$ -	\$ 537,713	\$ 394,347
Contributions	2,281,028	31,627	2,312,655	2,840,343
Donated goods and services, primarily perishable food	9,011,608	-	9,011,608	7,411,839
Special events, net of expenses of \$49,786 and \$44,294, respectively	451,395	-	451,395	373,652
Food Bank sales	247,385	-	247,385	187,480
Interest and dividend income	5,912	-	5,912	6,919
Gain on sale of fixed assets	-	-	-	5,000
Other revenue	3,986	-	3,986	372
Net assets released from restrictions	462,881	(462,881)	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	13,001,908	(431,254)	12,570,654	11,219,952
EXPENSES AND LOSSES				
Program Services				
Food rescue and distribution	11,387,669	-	11,387,669	9,669,886
Community kitchen	453,093	-	453,093	470,354
Job training	45,926	-	45,926	43,258
Supporting Services				
Management and general	408,199	-	408,199	305,333
Fund-raising	278,853	-	278,853	237,672
Losses				
Disposal of fixed assets	4,200	-	4,200	-
TOTAL EXPENSES AND LOSSES	12,577,940	-	12,577,940	10,726,503
INCREASE (DECREASE) IN NET ASSETS	423,968	(431,254)	(7,286)	493,449
NET ASSETS AT BEGINNING OF YEAR	6,593,601	738,657	7,332,258	6,838,809
NET ASSETS AT END OF YEAR	\$ 7,017,569	\$ 307,403	\$ 7,324,972	\$ 7,332,258

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

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (7,286)	\$ 493,449
Adjustments to reconcile increase (decrease) in net assets to net cash provided/(used) by operations:		
Depreciation	199,956	130,742
(Gain)/loss on disposal of property and equipment	4,200	(5,000)
Unrealized (gain)/loss on investments	1,391	1,029
Donations restricted to building expansion	-	(584,995)
Change in:		
Unconditional promises to give, net of allowance	94,550	21,821
Accounts receivable	29,168	43,495
Inventory	74,355	(94,724)
Prepaid expenses	10,232	(22,157)
Accounts payable	14,954	(422,492)
Accrued liabilities	(16,271)	65,345
Refundable advances	-	50,000
Net cash provided/(used) by operations	405,249	(323,487)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(74,279)	(63,162)
Purchases of fixed assets	(16,133)	(1,606,134)
Payments received on note receivable	-	4,584
Proceeds from sale of investments	200,000	-
Net cash provided/(used) by investing activities	109,588	(1,664,712)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions receivable for expansion of building	343,995	879,844
Net cash provided/(used) by financing activities	343,995	879,844
NET CHANGE IN CASH & CASH EQUIVALENTS	858,832	(1,108,355)
BEGINNING CASH & CASH EQUIVALENTS	713,448	2,226,476
ENDING CASH & CASH EQUIVALENTS	\$ 1,572,280	\$ 713,448
<u>SUPPLEMENTAL INFORMATION</u>		
Cash paid for interest	\$ -	\$ 24,317

FOOD GATHERERS
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2015, with comparable totals for 2014

	Food Bank Food Rescue	Community Kitchen	Job Training	Total Program Services	Supporting Services		Total 2015	Total 2014
					Management and General	Fund- Raising		
Grants and allocations to others	\$ -	\$ -	\$ 12,973	\$ 12,973	\$ -	\$ -	\$ 12,973	\$ 10,606
Cost of Food Distributed	1,099,351	119,825	1,898	1,221,074	-	-	1,221,074	1,061,944
	1,099,351	119,825	14,871	1,234,047	-	-	1,234,047	1,072,550
Employee Compensation								
Wages	527,328	212,658	20,761	760,747	223,470	158,952	1,143,169	1,134,806
Fringe benefits	50,963	30,994	2,047	84,004	20,734	15,273	120,011	117,809
Pension	24,334	13,390	985	38,709	10,734	7,347	56,790	49,048
Payroll taxes	39,868	29,830	3,393	73,091	10,179	8,482	91,752	84,760
	642,493	286,872	27,186	956,551	265,117	190,054	1,411,722	1,386,423
Other Expenses								
Accounting fees	-	-	-	-	13,264	-	13,264	18,204
Professional services - other	-	-	-	-	150	-	150	540
Supplies	44,716	24,625	146	69,487	6,770	-	76,257	116,351
Telephone	10,798	771	771	12,340	1,542	1,543	15,425	16,166
Postage & shipping	3,548	151	75	3,774	2,264	1,510	7,548	7,136
Occupancy								-
Utilities & maintenance	67,871	14,400	-	82,271	16,968	-	99,239	102,576
Repairs & maintenance	76,654	6,441	-	83,095	15,300	6,181	104,576	45,236
Equipment rental & maintenance	172,260	-	-	172,260	-	-	172,260	191,177
Travel	7,369	8	240	7,617	1,842	-	9,459	8,230
Conferences, conventions & meetings	17,054	-	-	17,054	2,132	2,132	21,318	11,372
Interest	-	-	-	-	-	-	-	24,317
Depreciation	169,963	-	-	169,963	29,993	-	199,956	130,742
Donated food	9,008,250	-	-	9,008,250	-	-	9,008,250	7,409,072
Donated services	-	-	-	-	3,358	-	3,358	2,767
Advertising & promotion	-	-	-	-	-	74,512	74,512	58,716
Insurance	27,986	-	-	27,986	789	-	28,775	35,164
Special events	-	-	-	-	-	49,786	49,786	44,294
Loss on disposal of fixed assets	-	-	-	-	4,200	-	4,200	-
All other	39,356	-	2,637	41,993	48,710	2,921	93,624	89,764
Total expenses	\$ 11,387,669	\$ 453,093	\$ 45,926	\$ 11,886,688	\$ 412,399	\$ 328,639	\$ 12,627,726	\$ 10,770,797
Less expenses included with revenues on statement of activities	-	-	-	-	-	(49,786)	(49,786)	(44,294)
Total expenses shown on the statement of activities	\$ 11,387,669	\$ 453,093	\$ 45,926	\$ 11,886,688	\$ 412,399	\$ 278,853	\$ 12,577,940	\$ 10,726,503

FOOD GATHERERS
STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended June 30, 2014

	Food Bank Food Rescue	Community Kitchen	Job Training	Total Program Services	Supporting Services		Total 2014
					Management and General	Fund- Raising	
Grants and allocations to others	\$ 714	\$ -	\$ 9,892	\$ 10,606	\$ -	\$ -	\$ 10,606
Cost of Food Distributed	938,142	122,776	1,026	1,061,944	-	-	1,061,944
	<u>938,856</u>	<u>122,776</u>	<u>10,918</u>	<u>1,072,550</u>	<u>-</u>	<u>-</u>	<u>1,072,550</u>
Employee Compensation							
Wages	592,692	234,969	17,054	844,715	145,100	144,991	1,134,806
Fringe benefits	55,740	31,638	2,894	90,272	13,600	13,937	117,809
Pension	19,897	11,780	1,450	33,127	11,255	4,666	49,048
Payroll taxes	35,648	28,106	4,320	68,074	9,101	7,585	84,760
	<u>703,977</u>	<u>306,493</u>	<u>25,718</u>	<u>1,036,188</u>	<u>179,056</u>	<u>171,179</u>	<u>1,386,423</u>
Other Expenses							
Accounting fees	-	-	-	-	18,204	-	18,204
Professional services - other	540	-	-	540	-	-	540
Supplies	80,371	21,980	405	102,756	13,595	-	116,351
Telephone	11,316	808	808	12,932	1,617	1,617	16,166
Postage & shipping	3,354	143	71	3,568	2,141	1,427	7,136
Occupancy							
Utilities & maintenance	73,213	13,600	-	86,813	15,763	-	102,576
Repairs & maintenance	32,669	4,400	-	37,069	8,167	-	45,236
Equipment rental & maintenance	191,177	-	-	191,177	-	-	191,177
Travel	5,960	123	657	6,740	1,490	-	8,230
Conferences, conventions & meetings	9,055	31	40	9,126	1,123	1,123	11,372
Interest	24,317	-	-	24,317	-	-	24,317
Depreciation	111,131	-	-	111,131	19,611	-	130,742
Donated food	7,409,072	-	-	7,409,072	-	-	7,409,072
Donated services	-	-	-	-	2,767	-	2,767
Advertising & promotion	-	-	-	-	-	58,716	58,716
Insurance	32,667	-	-	32,667	2,497	-	35,164
Special events	-	-	-	-	-	44,294	44,294
All other	42,211	-	4,641	46,852	39,302	3,610	89,764
	<u>42,211</u>	<u>-</u>	<u>4,641</u>	<u>46,852</u>	<u>39,302</u>	<u>3,610</u>	<u>89,764</u>
Total expenses	<u>\$ 9,669,886</u>	<u>\$ 470,354</u>	<u>\$ 43,258</u>	<u>\$ 10,183,498</u>	<u>\$ 305,333</u>	<u>\$ 281,966</u>	<u>\$ 10,770,797</u>
Less expenses included with revenues on statement of activities	-	-	-	-	-	(44,294)	(44,294)
Total expenses shown on the statement of activities	<u>\$ 9,669,886</u>	<u>\$ 470,354</u>	<u>\$ 43,258</u>	<u>\$ 10,183,498</u>	<u>\$ 305,333</u>	<u>\$ 237,672</u>	<u>\$ 10,726,503</u>

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 tracks but does not assign any value to donated goods in inventory. Food Gatherers' inventory processes for most donated foods do not include case or lot traceability from a donor through to a recipient; items are classified within broad types of food in aggregate.

Receivables and Allowance for Doubtful Accounts

Substantially all accounts receivable at June 30, 2015 and 2014 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.

Refundable Advances

Refundable advances consist of grants received for program activity that will occur in the subsequent fiscal year.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost, or where applicable, fair or appraised value at the date of donation. Depreciation is computed using the straight-line 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, 2015 and 2014 were \$74,512 and \$58,716, 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 2012, 2013, 2014 and 2015 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 15, 2015, 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:

	2015	2014
Receivable in less than one year	\$ 163,312	\$ 421,326
Receivable in one to five years	151,845	343,240
Total unconditional promises to give	315,157	764,566
Less unamortized discount	(5,045)	(15,909)
Less allowance for uncollectible promises	(10,000)	(10,000)
	300,112	738,657
Less: current portion	(163,312)	(292,440)
Unconditional promises to give - non current	\$ 136,800	\$ 446,217

NOTE C - INVESTMENTS

Investments consist of certificates and are stated at fair value. No investments are used as collateral.

Investments are stated at June 30, as follows:

	2015 Fair Value	2014 Fair Value
Fixed income securities:		
Certificates of deposit	\$ 766,744	\$ 893,856
	\$ 766,744	\$ 893,856

Investment return is not restricted. Investment returns are as follows:

	2015	2014
Interest Income	\$ 5,912	\$ 2,223
Total investment return	\$ 5,912	\$ 2,223

NOTE D - FAIR VALUE MEASUREMENTS

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

	2015	2014
Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Multi-year unconditional promises to give		
Balance at beginning of year	\$ 738,657	\$ 1,055,327
New Pledges	20,763	694,947
Less collected pledges	(470,172)	(1,020,551)
Change in estimate of uncollectible pledges	-	-
Change in fair value adjustment	10,864	8,934
	\$ 300,112	\$ 738,657

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

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2015	2014
Building	\$ 5,160,782	\$ 5,155,376
Equipment	291,161	311,466
Land	165,613	165,613
	5,617,556	5,632,455
Less accumulated depreciation	(988,986)	(815,862)
	\$ 4,628,570	\$ 4,816,593

Depreciation expense was \$199,956 and \$130,742 for the years ended June 30, 2015 and 2014, respectively.

NOTE F - LEASES

Operating Leases

In fiscal year 2015, the Organization had nine non-cancelable operating leases in effect. Total lease expense was \$121,428 and \$122,306 for years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments under non-cancelable leases are:

For the years ended June 30,	
2016	\$ 119,037
2017	118,311
2018	108,023
2019	95,439
2020 and after	54,766
	\$ 495,576

NOTE G - RETIREMENT 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 \$56,791 and \$54,359 in 2015 and 2014, respectively.

NOTE H - 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, 2015.

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 I - 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 \$1.70 and \$1.69 per pound of food for the years ended June 30, 2015 and 2014, 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:

	2015	2014
Donated nonperishable and perishable food	\$ 9,008,249	\$ 7,409,072
Donated services and materials	3,359	2,767
	\$ 9,011,608	\$ 7,411,839

Approximately 72,875 and 68,578 hours of additional donated services were received in 2015 and 2014, respectively, but were not recognized in the financial statements because they did not meet the criteria for recognition under SFAS No. 116.

NOTE J - 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 K - RESTRICTIONS/LIMITATIONS ON NET ASSETS

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

	2015	2014
Capital campaign promises to give to be received in subsequent years	\$ 286,640	\$ 619,771
Other promises to give to be received in subsequent year	20,763	118,886
	\$ 307,403	\$ 738,657