

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

Financial Statements

June 30, 2016 and 2015

Food Gatherers

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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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 statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Food Gatherers as of June 30, 2015 were audited by other auditors whose report dated October 15, 2015 expressed an unmodified opinion on those statements.

Altruic Advisors, PLLC

Certified Public Accountants

Ann Arbor, Michigan
October 27, 2016

Food Gatherers

Statements of Financial Position

June 30	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,741,484	\$ 1,572,280
Investments	788,701	766,744
Food inventory, net of allowance for spoilage of \$459,931 in 2016 and \$1,227,420 in 2015	621,704	632,576
Pledges and grants receivable, net of allowance, current	153,752	163,312
Accounts receivable, net	48,593	55,340
Prepaid expenses	8,864	11,925
Total current assets	<u>3,363,098</u>	<u>3,202,177</u>
Property and Equipment		
Buildings	5,154,936	5,160,782
Land	165,613	165,613
Equipment and furniture	295,595	291,161
Less accumulated depreciation	<u>(1,174,386)</u>	<u>(988,986)</u>
Net property and equipment	<u>4,441,758</u>	<u>4,628,570</u>
Other Assets		
Contributions and grants receivable, net of discount and current portion	<u>9,350</u>	<u>136,800</u>
Total assets	<u>\$ 7,814,206</u>	<u>\$ 7,967,547</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 26,040	\$ 44,493
Accrued liabilities	110,232	70,662
Refundable advances	-	50,000
Total current liabilities	<u>136,272</u>	<u>165,155</u>
Net Assets		
Unrestricted:		
Operating	1,238,189	1,083,253
Property and equipment	4,441,758	4,628,570
Board-designated for operations	1,846,118	1,783,166
Total unrestricted	<u>7,526,065</u>	<u>7,494,989</u>
Temporarily restricted	<u>151,869</u>	<u>307,403</u>
Total net assets	<u>7,677,934</u>	<u>7,802,392</u>
Total liabilities and net assets	<u>\$ 7,814,206</u>	<u>\$ 7,967,547</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Statements of Activities

Years ended June 30	2016		
	Unrestricted	Temporarily Restricted	Total
Support, Revenue, and Gains			
Support			
In-kind contributions	\$ 9,393,785	\$ -	\$ 9,393,785
Contributions	2,106,314	-	2,106,314
Grants	801,503	-	801,503
Special events, net of expenses of \$75,640 in 2016 and \$49,786 in 2015	506,344	20,554	526,898
Total support	<u>12,807,946</u>	<u>20,554</u>	<u>12,828,500</u>
Revenue and Gains			
Food bank sales	229,568	-	229,568
Other revenue	16,185	-	16,185
Interest income	7,199	-	7,199
Total revenue and gains	<u>252,952</u>	<u>-</u>	<u>252,952</u>
Net assets released from restrictions	176,088	(176,088)	-
Total support, revenue, and gains	<u>13,236,986</u>	<u>(155,534)</u>	<u>13,081,452</u>
Functional Expenses and Loss			
Functional Expenses			
Program services			
Food rescue and distribution	11,932,386	-	11,932,386
Community kitchen	445,245	-	445,245
Job training	60,729	-	60,729
Total program services	<u>12,438,360</u>	<u>-</u>	<u>12,438,360</u>
Supporting services			
General and administrative	438,466	-	438,466
Fundraising	328,042	-	328,042
Total supporting services	<u>766,508</u>	<u>-</u>	<u>766,508</u>
Total functional expenses	13,204,868	-	13,204,868
Loss			
Loss on disposal of property and equipment	1,042	-	1,042
Total functional expenses and loss	<u>13,205,910</u>	<u>-</u>	<u>13,205,910</u>
Change in Net Assets	31,076	(155,534)	(124,458)
Net Assets, Beginning of Year, As Previously Stated	7,494,989	307,403	7,802,392
Prior Period Adjustment	-	-	-
Net Assets, Beginning of Year, As Restated	<u>7,494,989</u>	<u>307,403</u>	<u>7,802,392</u>
Net Assets, End of Year	<u>\$ 7,526,065</u>	<u>\$ 151,869</u>	<u>\$ 7,677,934</u>

2015		
Unrestricted	Temporarily Restricted	Total
\$ 8,992,973	\$ -	\$ 8,992,973
2,174,997	31,627	2,206,624
643,744	-	643,744
<u>451,394</u>	<u>-</u>	<u>451,394</u>
<u>12,263,108</u>	<u>31,627</u>	<u>12,294,735</u>
247,385	-	247,385
3,986	-	3,986
5,912	-	5,912
<u>257,283</u>	<u>-</u>	<u>257,283</u>
462,881	(462,881)	-
<u>12,983,272</u>	<u>(431,254)</u>	<u>12,552,018</u>
11,377,507	-	11,377,507
469,347	-	469,347
30,730	-	30,730
<u>11,877,584</u>	<u>-</u>	<u>11,877,584</u>
420,224	-	420,224
275,932	-	275,932
<u>696,156</u>	<u>-</u>	<u>696,156</u>
12,573,740	-	12,573,740
4,200	-	4,200
<u>12,577,940</u>	<u>-</u>	<u>12,577,940</u>
405,332	(431,254)	(25,922)
6,593,601	738,657	7,332,258
496,056	-	496,056
<u>7,089,657</u>	<u>738,657</u>	<u>7,828,314</u>
<u>\$ 7,494,989</u>	<u>\$ 307,403</u>	<u>\$ 7,802,392</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	671,864	206,129	15,307
Fringe benefits	96,412	42,300	1,737
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	186,543	-	-
Supplies	60,998	24,355	79
Advertising and marketing	185	-	-
Grants to partner agencies	51,750	-	-
Specific assist - stipends	11,944	51	36,822
Insurance	39,358	-	-
Bank charges	-	-	-
IT consulting and website	849	-	-
Dues and subscriptions	13,610	341	-
Conferences and meetings	8,233	212	1,976
Accounting fees	-	-	-
Evaluation and planning	250	-	-
Telephone	10,314	987	181
Travel	7,388	877	1,377
Miscellaneous expense	5,845	7	-
Farming program	7,252	-	-
Postage and shipping	1,317	6	-
Contractual services	-	2,420	-
Donated 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>
893,300	231,884	184,052	415,936	1,309,236
140,449	26,861	25,712	52,573	193,022
74,647	16,106	12,784	28,890	103,537
<u>1,108,396</u>	<u>274,851</u>	<u>222,548</u>	<u>497,399</u>	<u>1,605,795</u>
161,589	36,095	258	36,353	197,942
167,060	29,481	-	29,481	196,541
186,543	659	-	659	187,202
85,432	3,434	3,057	6,491	91,923
185	-	88,995	88,995	89,180
51,750	-	-	-	51,750
48,817	500	-	500	49,317
39,358	8,888	-	8,888	48,246
-	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
5,852	3,029	1,999	5,028	10,880
7,252	-	-	-	7,252
1,323	332	5,380	5,712	7,035
2,420	-	-	-	2,420
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

Statement of Functional Expenses

Year ended June 30, 2015

	Program Services		
	Food Rescue and Distribution	Community Kitchen	Job Training
Cost of food distributed - in-kind	\$ 9,011,608	\$ -	\$ -
Cost of food distributed - purchased	1,099,351	119,825	1,898
Total cost of food distributed	<u>10,110,959</u>	<u>119,825</u>	<u>1,898</u>
Salaries and wages	527,328	212,658	20,761
Fringe benefits	75,297	44,384	3,032
Payroll taxes	39,868	29,830	3,393
Total personnel costs	<u>642,493</u>	<u>286,872</u>	<u>27,186</u>
Occupancy	144,525	20,841	-
Depreciation	169,963	-	-
Equipment rental and maintenance	197,089	-	-
Supplies	44,716	24,625	146
Advertising and marketing	-	-	-
IT consulting and website	654	654	654
Bank charges	-	-	-
Conferences and meetings	17,054	-	-
Telephone	10,798	771	771
Accounting fees	-	-	-
Specific assist - stipends	-	12,973	-
Dues and subscriptions	-	-	-
Miscellaneous expense	12,589	-	-
Evaluation and planning	-	-	-
Farming program	9,713	-	-
Travel	9,459	-	-
Postage and shipping	3,548	151	75
Insurance	3,947	-	-
Contracted services	-	2,635	-
Total expenses	<u>\$ 11,377,507</u>	<u>\$ 469,347</u>	<u>\$ 30,730</u>

Supporting Services				
Total	General and Administrative	Fundraising	Total	Total Expenses
\$ 9,011,608	\$ -	\$ -	\$ -	\$ 9,011,608
1,221,074	-	-	-	1,221,074
<u>10,232,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,232,682</u>
760,747	223,470	158,952	382,422	1,143,169
122,713	31,469	22,620	54,089	176,802
73,091	10,179	8,482	18,661	91,752
<u>956,551</u>	<u>265,118</u>	<u>190,054</u>	<u>455,172</u>	<u>1,411,723</u>
165,366	32,268	6,181	38,449	203,815
169,963	29,993	-	29,993	199,956
197,089	-	-	-	197,089
69,487	6,771	-	6,771	76,258
-	-	74,512	74,512	74,512
1,962	21,503	-	21,503	23,465
-	21,804	-	21,804	21,804
17,054	2,132	2,132	4,264	21,318
12,340	1,542	1,543	3,085	15,425
-	13,264	-	13,264	13,264
12,973	-	-	-	12,973
-	12,753	-	12,753	12,753
12,589	-	-	-	12,589
-	10,662	-	10,662	10,662
9,713	-	-	-	9,713
9,459	-	-	-	9,459
3,774	2,264	1,510	3,774	7,548
3,947	-	-	-	3,947
2,635	150	-	150	2,785
<u>\$ 11,877,584</u>	<u>\$ 420,224</u>	<u>\$ 275,932</u>	<u>\$ 696,156</u>	<u>\$ 12,573,740</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	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ (124,458)	\$ (25,922)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	196,541	199,956
Loss on disposal of property and equipment	1,042	4,200
Unrealized loss on investments	-	1,391
Increase (decrease) from changes in assets and liabilities		
Inventory	10,872	92,991
Pledges and grants receivable	3,470	94,550
Accounts receivable	6,747	29,168
Prepaid expenses	3,061	10,232
Accounts payable	(18,453)	14,954
Accrued liabilities	39,570	(16,271)
Refundable advances	(50,000)	-
Net cash provided by operating activities	<u>68,392</u>	<u>405,249</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	241,273	(74,279)
Purchases of property and equipment	(10,771)	(16,133)
Purchases of investments	(263,230)	200,000
Net cash provided (used) by investing activities	<u>(32,728)</u>	<u>109,588</u>
Cash Flows From Financing Activities		
Collection of contributions receivable for expansion of building	133,540	343,995
Net cash provided by financing activities	<u>133,540</u>	<u>343,995</u>
Net Increase in Cash and Cash Equivalents	169,204	858,832
Cash and Cash Equivalents, Beginning of Year	<u>1,572,280</u>	<u>713,448</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,741,484</u>	<u>\$ 1,572,280</u>

The accompanying Notes are an integral
part of these financial statements

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015.

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.

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.

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

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

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.

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, 2016 and 2015.

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.

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

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

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.

Pledges and grants receivable were due as follows as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 155,752	\$ 173,312
Due in one to five years	9,350	136,800
Less: allowance for doubtful pledges	(2,000)	(10,000)
Less: net present value discount	-	(5,045)
	<u>\$ 163,102</u>	<u>\$ 300,112</u>

Accounts Receivable. Predominately all accounts receivable at June 30, 2016 and 2015 are related to food bank sales. Management has determined that accounts receivable are fully collectible and has not recorded an allowance for doubtful accounts.

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 39 years for buildings and five to seven years for equipment and furniture.

Depreciation expense for the years ended June 30, 2016 and 2015 was \$196,541 and \$199,956, respectively.

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

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

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, 2016 and 2015.

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, are 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 received at the Organization's warehouse. During the years ended June 30, 2016 and 2015, an average value per pound of \$1.67 and \$1.70 was used to value food received and distributed to clients, and to value inventory on hand at year end. These per pound values are published annually by Feeding America, a national organization of which the Organization is an affiliate.

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 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 \$89,180 and \$74,512 for the years ended June 30, 2016 and 2015, 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.

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

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

Reclassifications. Certain amounts from the financial statements for the year ended June 30, 2015 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 27, 2016, the date at which the financial statements were available for release.

Note 2 - Prior Period Adjustment

The Organization has recorded a prior period adjustment to recognize donated inventory, net of an allowance for spoilage, as determined by management after the release of the June 30, 2015 financial statements. The financial statements have been restated to increase inventory by \$496,056 and to increase unrestricted net assets by \$496,056 as of July 1, 2014. Additionally, the accompanying financial statements have been restated to decrease support by \$18,636 for the year ended June 30, 2015 and to decrease inventory and unrestricted net assets by \$18,636 as of June 30, 2016.

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, 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>

The following table presents, by level within the fair value hierarchy, the Organization's investment assets at fair value as of June 30, 2015. 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>\$ 766,744</u>	<u>\$ -</u>	<u>\$ 766,744</u>	<u>\$ -</u>

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

Note 4 - Donated Food and In-Kind Services

A summary of in-kind donations and services is as follows at June 30, 2016 and 2015:

Donated perishable and nonperishable food	\$ 9,393,450	\$ 8,989,614
Donated payroll processing services	335	3,359
	<u>\$ 9,393,785</u>	<u>\$ 8,992,973</u>

Note 5 - 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 \$245 and \$1,853, and begin to expire in October 2017. Rent expense under these leases totaled \$137,421 and \$121,428 for the years ended June 30, 2016 and 2015, respectively.

Future annual minimum lease payments under operating leases are as follows at June 30, 2016:

Year ended June 30,	Total
2017	\$ 147,256
2018	136,525
2019	120,816
2020	65,802
2021	32,795
Thereafter	18,529
	<u>\$ 521,723</u>

Note 6 - Temporarily Restricted Net Assets

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

	July 1, 2015	Receipts	Disbursements	June 30, 2016
Pledges receivable, net	<u>\$ 307,403</u>	<u>\$ 20,554</u>	<u>\$ 176,088</u>	<u>\$ 151,869</u>

The balance of temporarily restricted net assets at June 30, 2015 is as follows:

	July 1, 2014	Receipts	Disbursements	June 30, 2015
Pledges receivable, net	<u>\$ 738,657</u>	<u>\$ 31,627</u>	<u>\$ 462,881</u>	<u>\$ 307,403</u>

Food Gatherers

Notes to Financial Statements

June 30, 2016 and 2015

Note 7 - Retirement Plan

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 \$59,630 and \$56,791 for the years ended June 30, 2016 and 2015, respectively.

Note 8 - Concentration of Credit Risk

Bank Deposits. At certain times during the years ended June 30, 2016 and 2015, the Organization maintained cash balances in excess of federally insured limits. Management believes the risk of loss on these amounts is minimal.

Geographical Concentration. 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, 2016 and 2015.