

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

**Financial Statements**

June 30, 2022 and 2021



# Food Gatherers

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## **Independent Auditors' Report**

To the Board of Directors  
Food Gatherers  
Ann Arbor, Michigan

### **Opinion**

We have audited the accompanying financial statements of Food Gatherers (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Food Gatherers as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Food Gatherers and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Gatherers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Independent Auditors' Report (continued)**

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Food Gatherers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Food Gatherers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Altruic Advisors, CPAs*

Certified Public Accountants

Ann Arbor, Michigan  
October 28, 2022

# Food Gatherers

## Statements of Financial Position

June 30	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,166,363	\$ 5,145,815
Investments	4,289,016	4,651,570
Food inventory, net of allowance for spoilage of \$55,740 in 2022 and \$39,988 in 2021	1,126,166	1,496,168
Pledges and grants receivable	15,915	100,170
Accounts receivable	27,982	7,423
Prepaid expenses	70,279	49,505
Total current assets	<u>11,695,721</u>	<u>11,450,651</u>
<b>Property and Equipment</b>		
Equipment and furniture	629,652	619,974
Vehicles	130,493	130,493
Building and improvements	5,219,557	5,163,657
Land	165,613	165,613
Less accumulated depreciation	(2,221,501)	(2,040,950)
Net property and equipment	<u>3,923,814</u>	<u>4,038,787</u>
<b>Other Assets</b>		
Beneficial interest in assets held by foundation	244,834	264,199
Right-of-use asset, net	267,390	250,224
Total other assets	<u>512,224</u>	<u>514,423</u>
Total assets	<u>\$ 16,131,759</u>	<u>\$ 16,003,861</u>

# Food Gatherers

## Statements of Financial Position (continued)

June 30	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 102,684	\$ 87,696
Accrued compensation and benefits	78,203	70,886
Current portion of operating lease obligations	50,820	58,675
Total current liabilities	<u>231,707</u>	<u>217,257</u>
<b>Long Term Liabilities</b>		
Operating lease obligations, net of current portion	<u>216,570</u>	<u>191,549</u>
Total liabilities	<u>448,277</u>	<u>408,806</u>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	8,465,184	7,836,538
Net property and equipment	3,923,814	4,038,787
Board-designated endowment	244,834	264,199
Board-designated for operations	2,988,850	3,211,550
Total without donor restrictions	<u>15,622,682</u>	<u>15,351,074</u>
With donor restrictions	<u>60,800</u>	<u>243,981</u>
Total net assets	<u>15,683,482</u>	<u>15,595,055</u>
Total liabilities and net assets	<u>\$ 16,131,759</u>	<u>\$ 16,003,861</u>

# Food Gatherers

## Statement of Activities

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Operating Support</b>			
In-kind contributions and grants	\$ 11,603,410	\$ -	\$ 11,603,410
Contributions	4,373,109	-	4,373,109
Grants	1,530,735	83,000	1,613,735
Special event, net of expenses of \$27,945 in 2022	431,343	-	431,343
Net assets released from restrictions			
Expiration of time restrictions	100,170	(100,170)	-
Satisfaction of program restrictions	166,011	(166,011)	-
Total operating support	<u>18,204,778</u>	<u>(183,181)</u>	<u>18,021,597</u>
<b>Operating Revenue</b>			
Food bank revenue	209,377	-	209,377
Other revenue	10,533	-	10,533
Total operating revenue	<u>219,910</u>	<u>-</u>	<u>219,910</u>
Total operating support and revenue	<u>18,424,688</u>	<u>(183,181)</u>	<u>18,241,507</u>
<b>Operating Expenses</b>			
Program services			
Food rescue and distribution	15,653,708	-	15,653,708
Community kitchen	565,086	-	565,086
Summer food service program	352,368	-	352,368
Total program services	<u>16,571,162</u>	<u>-</u>	<u>16,571,162</u>
Supporting services			
General and administrative	430,285	-	430,285
Fundraising	561,466	-	561,466
Total supporting services	<u>991,751</u>	<u>-</u>	<u>991,751</u>
Total operating expenses	<u>17,562,913</u>	<u>-</u>	<u>17,562,913</u>
Total operating support and revenue in excess (deficit) of operating expenses	<u>861,775</u>	<u>(183,181)</u>	<u>678,594</u>
<b>Other Changes</b>			
Investment income (loss)	(570,802)	-	(570,802)
Change in value of beneficial interest in assets held by foundation	(19,365)	-	(19,365)
Total other changes	<u>(590,167)</u>	<u>-</u>	<u>(590,167)</u>
<b>Change in Net Assets</b>	271,608	(183,181)	88,427
<b>Net Assets, Beginning of Year</b>	<u>15,351,074</u>	<u>243,981</u>	<u>15,595,055</u>
<b>Net Assets, End of Year</b>	<u>\$ 15,622,682</u>	<u>\$ 60,800</u>	<u>\$ 15,683,482</u>

The accompanying Notes are an integral part of these financial statements

# Food Gatherers

## Statement of Activities

Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenue</b>			
<b>Operating Support</b>			
In-kind contributions and grants	\$ 13,378,320	\$ -	\$ 13,378,320
Contributions	5,500,717	-	5,500,717
Grants	2,659,917	255,833	2,915,750
Special event, net of expenses of \$479 in 2021	635,683	-	635,683
Net assets released from restrictions			
Satisfaction of program restrictions	99,380	(99,380)	-
Total operating support	<u>22,274,017</u>	<u>156,453</u>	<u>22,430,470</u>
<b>Operating Revenue</b>			
Food bank revenue	156,450	-	156,450
Other revenue	33,647	-	33,647
Total operating revenue	<u>190,097</u>	<u>-</u>	<u>190,097</u>
Total operating support and revenue	<u>22,464,114</u>	<u>156,453</u>	<u>22,620,567</u>
<b>Operating Expenses</b>			
Program services			
Food rescue and distribution	17,080,286	-	17,080,286
Community kitchen	585,277	-	585,277
Summer food service program	466,485	-	466,485
Total program services	<u>18,132,048</u>	<u>-</u>	<u>18,132,048</u>
Supporting services			
General and administrative	439,708	-	439,708
Fundraising	552,126	-	552,126
Total supporting services	<u>991,834</u>	<u>-</u>	<u>991,834</u>
Total operating expenses	<u>19,123,882</u>	<u>-</u>	<u>19,123,882</u>
Total operating support and revenue in excess of operating expenses	<u>3,340,232</u>	<u>156,453</u>	<u>3,496,685</u>
<b>Other Changes</b>			
Investment income	131,768	-	131,768
Change in value of beneficial interest in assets held by foundation	68,019	-	68,019
Total other changes	<u>199,787</u>	<u>-</u>	<u>199,787</u>
<b>Change in Net Assets</b>	<u>3,540,019</u>	<u>156,453</u>	<u>3,696,472</u>
<b>Net Assets, Beginning of Year</b>	<u>11,811,055</u>	<u>87,528</u>	<u>11,898,583</u>
<b>Net Assets, End of Year</b>	<u>\$ 15,351,074</u>	<u>\$ 243,981</u>	<u>\$ 15,595,055</u>

The accompanying Notes are an integral  
part of these financial statements



# Food Gatherers

## Statement of Functional Expenses

Year ended June 30, 2022

	Program Services			
	Food Rescue and Distribution	Community Kitchen	Summer Food Service Program	Total
Donated food	\$ 11,705,980	\$ 198,746	\$ 99,373	\$ 12,004,099
Cost of food sales	1,540,935	84,505	170,800	1,796,240
Total cost of food distributed	<u>13,246,915</u>	<u>283,251</u>	<u>270,173</u>	<u>13,800,339</u>
Salary and wages	1,203,432	166,418	33,967	1,403,817
Fringe benefits	206,138	34,582	7,578	248,298
Payroll taxes	81,896	20,207	2,233	104,336
Total personnel costs	<u>1,491,466</u>	<u>221,207</u>	<u>43,778</u>	<u>1,756,451</u>
Occupancy	204,811	19,044	1,597	225,452
Depreciation	163,708	-	-	163,708
Equipment rental and maintenance	164,593	3,394	1,697	169,684
Supplies	95,953	28,926	5,271	130,150
Vehicle expenses	83,400	1,720	860	85,980
Bank and credit card charges	-	-	-	-
Grants to partner agencies	70,609	-	-	70,609
Advertising and marketing	-	5,133	3,113	8,246
Insurance	45,456	710	355	46,521
IT consulting and website	6,105	-	-	6,105
Dues and subscriptions	28,819	414	-	29,233
Postage and shipping	1,036	1	13	1,050
Accounting fees	-	-	1,946	1,946
Telephone	19,659	842	1,099	21,600
Training	19,243	353	621	20,217
Specific assist - stipends	-	-	20,625	20,625
Miscellaneous expense	387	-	-	387
Legal fees	-	-	-	-
Travel	3,780	91	1,134	5,005
Evaluation and planning	5,000	-	-	5,000
Partner programs	2,768	-	86	2,854
Total expenses	<u>\$ 15,653,708</u>	<u>\$ 565,086</u>	<u>\$ 352,368</u>	<u>\$ 16,571,162</u>

The accompanying Notes are an integral part of these financial statements

# Food Gatherers

## Statement of Functional Expenses (continued)

Year ended June 30, 2022 (continued)

	<u>Supporting Services</u>			<b>Total Expenses</b>
	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>	
Donated food	\$ -	\$ -	\$ -	\$ 12,004,099
Cost of food sales	-	-	-	1,796,240
Total cost of food distributed	-	-	-	13,800,339
Salary and wages	279,242	312,728	591,970	1,995,787
Fringe benefits	20,524	42,547	63,071	311,369
Payroll taxes	12,668	18,492	31,160	135,496
Total personnel costs	312,434	373,767	686,201	2,442,652
Occupancy	11,131	16,842	27,973	253,425
Depreciation	28,890	-	28,890	192,598
Equipment rental and maintenance	-	-	-	169,684
Supplies	4,886	10,016	14,902	145,052
Vehicle expenses	-	-	-	85,980
Bank and credit card charges	5,712	72,370	78,082	78,082
Grants to partner agencies	-	-	-	70,609
Advertising and marketing	231	48,578	48,809	57,055
Insurance	5,724	-	5,724	52,245
IT consulting and website	21,367	9,650	31,017	37,122
Dues and subscriptions	1,472	2,638	4,110	33,343
Postage and shipping	136	23,872	24,008	25,058
Accounting fees	22,853	-	22,853	24,799
Telephone	1,625	1,116	2,741	24,341
Training	164	2,156	2,320	22,537
Specific assist - stipends	-	-	-	20,625
Miscellaneous expense	7,391	251	7,642	8,029
Legal fees	5,926	-	5,926	5,926
Travel	343	210	553	5,558
Evaluation and planning	-	-	-	5,000
Partner programs	-	-	-	2,854
Total expenses	<u>\$ 430,285</u>	<u>\$ 561,466</u>	<u>\$ 991,751</u>	<u>\$ 17,562,913</u>

The accompanying Notes are an integral part of these financial statements

# Food Gatherers

## Statement of Functional Expenses

Year ended June 30, 2021

	Program Services			Total
	Food Rescue and Distribution	Community Kitchen	Summer Food Service Program	
Donated food	\$ 12,540,107	\$ 258,559	\$ 129,279	\$ 12,927,945
Cost of food sales	1,949,571	52,293	252,753	2,254,617
Total cost of food distributed	14,489,678	310,852	382,032	15,182,562
Salary and wages	1,102,702	165,184	31,469	1,299,355
Fringe benefits	190,903	34,747	4,393	230,043
Payroll taxes	82,719	20,539	2,274	105,532
Total personnel costs	1,376,324	220,470	38,136	1,634,930
Occupancy	274,136	22,605	2,283	299,024
Grants to partner agencies	256,675	-	-	256,675
Depreciation	159,230	-	-	159,230
Equipment rental and maintenance	172,721	3,561	1,781	178,063
Supplies	125,029	24,438	17,129	166,596
Bank and credit card charges	-	-	-	-
Vehicle expenses	71,555	1,475	738	73,768
Partner programs	61,236	-	1,894	63,130
Advertising and marketing	4,630	-	-	4,630
Insurance	38,128	404	202	38,734
IT consulting and website	4,936	-	-	4,936
Postage and shipping	1,513	4	17	1,534
Miscellaneous expense	-	-	-	-
Accounting fees	-	-	-	-
Telephone	19,027	757	819	20,603
Specific assist - stipends	-	-	18,800	18,800
Evaluation and planning	10,000	-	-	10,000
Training	8,226	-	837	9,063
Dues and subscriptions	5,456	606	10	6,072
Travel	1,786	105	1,807	3,698
Legal fees	-	-	-	-
Total expenses	\$ 17,080,286	\$ 585,277	\$ 466,485	\$ 18,132,048

The accompanying Notes are an integral part of these financial statements

# Food Gatherers

## Statement of Functional Expenses (continued)

Year ended June 30, 2021 (continued)

	Supporting Services			Total Expenses
	General and Administrative	Fundraising	Total	
Donated food	\$ -	\$ -	\$ -	\$ 12,927,945
Cost of food sales	-	-	-	2,254,617
Total cost of food distributed	-	-	-	15,182,562
Salary and wages	268,536	269,616	538,152	1,837,507
Fringe benefits	17,991	31,998	49,989	280,032
Payroll taxes	13,147	17,119	30,266	135,798
Total personnel costs	299,674	318,733	618,407	2,253,337
Occupancy	16,709	16,543	33,252	332,276
Grants to partner agencies	-	-	-	256,675
Depreciation	28,099	-	28,099	187,329
Equipment rental and maintenance	-	-	-	178,063
Supplies	5,906	843	6,749	173,345
Bank and credit card charges	5,458	110,565	116,023	116,023
Vehicle expenses	-	-	-	73,768
Partner programs	-	-	-	63,130
Advertising and marketing	-	58,424	58,424	63,054
Insurance	11,300	-	11,300	50,034
IT consulting and website	16,210	17,354	33,564	38,500
Postage and shipping	226	27,044	27,270	28,804
Miscellaneous expense	26,446	30	26,476	26,476
Accounting fees	25,970	-	25,970	25,970
Telephone	1,613	1,118	2,731	23,334
Specific assist - stipends	-	-	-	18,800
Evaluation and planning	-	-	-	10,000
Training	107	245	352	9,415
Dues and subscriptions	947	1,141	2,088	8,160
Travel	148	86	234	3,932
Legal fees	895	-	895	895
Total expenses	\$ 439,708	\$ 552,126	\$ 991,834	\$ 19,123,882

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	2022	2021
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 88,427	\$ 3,696,472
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	192,598	187,329
Change in donated food inventory and provision for spoilage	(101,770)	(450,375)
Net realized and unrealized (gain) loss on investments	668,543	(105,426)
Change in value of beneficial interest in assets held by foundation	19,365	(68,019)
Increase (decrease) from changes in assets and liabilities		
Purchased food inventory	471,772	(43,752)
Pledges and grants receivable	84,255	(100,170)
Accounts receivable	(20,559)	(83)
Prepaid expenses	(20,774)	4,199
Accounts payable	14,988	49,196
Accrued compensation and benefits	7,317	(47,735)
Net cash provided by operating activities	<u>1,404,162</u>	<u>3,121,636</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(77,625)	(44,333)
Net purchases of investments	<u>(305,989)</u>	<u>(3,360,875)</u>
Net cash used by investing activities	<u>(383,614)</u>	<u>(3,405,208)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,020,548</b>	<b>(283,572)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b><u>5,145,815</u></b>	<b><u>5,429,387</u></b>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 6,166,363</u></b>	<b><u>\$ 5,145,815</u></b>

The accompanying Notes are an integral  
part of these financial statements

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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### 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 support and 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 approximately 19 meals per week to those in need.

*Summer Food Service Program.* The Summer Food Service Program ("SFSP") was created to ensure that children in lower-income areas could continue to receive nutritious meals during long school vacations when they do not have access to the National School Lunch or School Breakfast programs. The SFSP is a program of the United States Department of Agriculture, which provides funding to cover the costs of the meals at eligible sites. Food Gatherers is the largest sponsor of the SFSP for children in Washtenaw County. Free meals are made available to children under 18 years of age and for persons up to age 26 who are enrolled in an educational program for the mentally or physically disabled that is recognized by a state or local public educational agency.

#### 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' event.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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### 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.

*Board Designated Endowment.* The Board of Directors has determined that a portion of the Organization's net assets meet the definition of endowment funds under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of Michigan in 2009. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization generally classifies as endowment net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's policies.

*Endowment Investment Policies.* The Organization has adopted investment policies that include a conservative risk tolerance to ensure the long-term stability of its endowment funds. To achieve the objective of the endowment, the investment policy attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the fund if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Endowment Spending Policies.* Provided that there are annual earnings from the investments of the endowment funds, the Organization expends the earnings in accordance with the direction of the applicable donor gift instrument.

*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.

*Investments.* The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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

Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

*Fair Value Measurements.* The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The 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 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 are descriptions of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Equity Securities.* The Organization values securities with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on the over-the-counter market are valued at the last reported bid price.

*Taxable Bonds and Taxable Bond Funds.* The Organization values taxable bonds and taxable bond funds 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.



# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Beneficial Interest in Assets Held by Foundation.* The Organization values the beneficial interest in assets held by Ann Arbor Area Community Foundation ("the Foundation") at the net asset value ("NAV") of units held by the Organization at year end. The NAV, as provided by the Foundation, is used as a practical expedient to estimate fair value. The NAV is based on the fair value of the underlying investments held by the Foundation less its liabilities. This practical expedient is not used when it is determined to be probable that the Foundation will sell the investment for an amount different than reported NAV.

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

The valuation methodologies 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 support at its estimated fair value at the date of donation, taking into consideration spoilage and utility for use. See *Donated Food Inventory.*

*Pledges and Grants Receivable.* Pledges and grants receivable are all expected to be paid within one year and 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 and grants. 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, 2022 and 2021.

*Accounts Receivable.* Predominately all accounts receivable at June 30, 2022 and 2021 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, 2022 and 2021.

*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 the straight-line method over the estimated useful lives of the assets. In general, asset lives are ten to thirty-nine years for buildings and improvements, five years for vehicles, and three to five years for equipment and furniture. Depreciation expense for the years ended June 30, 2022 and 2021 was \$192,598 and \$187,329, respectively.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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### 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, 2022 and 2021.

*Leases.* The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Organization's statements of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

*Basis of Net Asset Presentation.* The Organization reports information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions:

*Net Assets Without Donor Restrictions.* Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, receiving rents, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*Net Assets With Donor Restrictions.* Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

*Contributions and Grants.* Contributions and grants are recognized when amounts are received. Donor-restricted amounts are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts 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.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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

To determine food inventory values, donated food inventories are weighed when they arrive at the Organization's warehouse and are weighed again before distribution. The Organization uses per pound values as published annually by Feeding America, a national organization of which the Organization is an affiliate.

The following average per pound values were used to value the following inventory donations received and inventory distributions made during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Food-only items	\$ 1.53	\$ 1.70
Mixed food and non-food items	\$ 1.92	\$ 1.79

*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.

#### *Revenue Recognition.*

Revenue for food bank sales is recognized at the time of sale. This is the Organization's primary revenue stream that constitutes revenue from contracts with customers.

*Transaction Price.* The transaction price of a contract with a client is the amount of consideration to which the Organization expects to be entitled for transferring promised goods to the client. The Organization determines the transaction price based on standard charges for goods provided, reduced by discounts.

*Contract Balances.* The following table provides information about the Organization's receivables from contracts with customers at June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable, beginning of year	\$ 7,423	\$ 7,340
Accounts receivable, end of year	\$ 27,982	\$ 7,423

*Accounting Policies and Practical Expedients Elected.* The Organization is electing to use the right to invoice practical expedient, which allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer. Therefore, the Organization will apply the invoice practical expedient to performance obligations satisfied over time.

The Organization's contracts do not include significant financing components.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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

*Advertising.* The Organization expenses advertising costs as they are incurred. Costs, expensed as advertising and marketing in the statements of functional expenses, were \$57,055 and \$63,054 for the years ended June 30, 2022 and 2021, 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 28, 2022, the date at which the financial statements were available for release.

### Note 2 – 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, 2022:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities	\$ 721,952	\$ 721,952	\$ -	\$ -
Stock funds	1,457,511	1,457,511	-	-
Taxable bonds and taxable bond funds	<u>2,109,553</u>		<u>2,109,553</u>	-
Total assets in FV hierarchy	<u>\$ 4,289,016</u>	<u>\$ 2,179,463</u>	<u>\$ 2,109,553</u>	<u>\$ -</u>
Investments measured at NAV:				
Beneficial interest in assets held by Foundation (see Note 1)	<u>244,834</u>			
Total assets valued at fair value	<u>\$ 4,533,850</u>			

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 2 – Fair Value Measurements (continued)

The following table summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of June 30, 2021:

	Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 334,871	\$ 334,871	\$ -	\$ -
Stock funds	619,566	619,566	-	-
Taxable bonds and taxable bond funds	3,697,133	-	3,697,133	-
Total assets in FV hierarchy	<u>\$ 4,651,570</u>	<u>\$ 954,437</u>	<u>\$ 3,697,133</u>	<u>\$ -</u>
Investments measured at NAV:				
Beneficial interest in assets held by Foundation (see Note 1)	<u>264,199</u>			
Total assets valued at fair value	<u>\$ 4,915,769</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, 2022 and 2021, there were no significant transfers in or out of fair value levels.

The following sets forth a summary of the Organization's beneficial interest in assets held by foundation reported at NAV at June 30:

	Fair Value	Unfunded Commitment	Redemption Frequency	Other Redemption Restrictions	Redemption Notice Period
<b>2022</b>					
\$	<b>244,834</b>	N/A	Immediate	Redemptions will only be made upon written request of the Organization	None
<b>2021</b>					
\$	264,199	N/A	Immediate		None

Net investment earnings consisted of the following for the years ended June 30:

	<b>2022</b>	2021
Interest, dividends, and net gains (losses)	<u>\$ (570,802)</u>	\$ 131,768
Change in value of beneficial interest in assets held by foundation	<u>(19,365)</u>	68,019
	<u>\$ (590,167)</u>	<u>\$ 199,787</u>

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 3 – Right-of-use Assets

Right-of-use assets consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Right-of-use assets under operating leases (equipment)	\$ 352,120	\$ 403,502
Less accumulated amortization	<u>(84,730)</u>	<u>(153,278)</u>
Net right-of-use assets	<u>\$ 267,390</u>	<u>\$ 250,224</u>

Annual amortization for the years ended June 30, 2022 and 2021 was \$68,246 and \$62,334, respectively.

### Note 4 – Board-Designated Net Assets

As of June 30, 2022 and 2021, the Organization's board of directors designated net assets for operations of \$2,988,850 and \$3,211,550, 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, 2022 is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2022</u>
Time restrictions	\$ 100,170	\$ -	\$ 100,170	\$ -
Purpose restrictions				
COVID relief	58,333	-	58,333	-
Summer food program	33,138	83,000	55,338	60,800
Food purchases - Costco	22,340	-	22,340	-
Neighborhood grocery initiative	15,000	-	15,000	-
Senior nutrition	15,000	-	15,000	-
	<u>\$ 243,981</u>	<u>\$ 83,000</u>	<u>\$ 266,181</u>	<u>\$ 60,800</u>

A summary of net assets with donor restrictions at June 30, 2021 is as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2021</u>
Time restrictions	\$ -	\$ 100,170	\$ -	\$ 100,170
Purpose restrictions				
COVID Relief	-	58,333	-	58,333
Summer food program	87,528	44,990	99,380	33,138
Food Purchases - Costco	-	22,340	-	22,340
Neighborhood grocery initiative	-	15,000	-	15,000
Senior nutrition	-	15,000	-	15,000
	<u>\$ 87,528</u>	<u>\$ 255,833</u>	<u>\$ 99,380</u>	<u>\$ 243,981</u>

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 6 – Endowment Funds

The Organization's endowment consists of a single fund with the Ann Arbor Area Community Foundation. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The following summarizes the changes in endowment net assets for the years ended June 30, 2022 and 2021:

	Without Donor Restrictions
Endowment net assets, July 1, 2020	\$ 196,180
Interest and dividends	1,836
Net realized and unrealized losses	67,866
Investment and administrative fees	(1,683)
Change in endowment net assets	<u>68,019</u>
Endowment net assets, June 30, 2021	<u>\$ 264,199</u>
Interest and dividends	\$ 477
Net realized and unrealized gains	(18,023)
Investment and administrative fees	(1,819)
Change in endowment net assets	<u>(19,365)</u>
Endowment net assets, June 30, 2022	<u><u>\$ 244,834</u></u>

### Note 7 – Leases and Commitments

Operating lease obligations consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Operating lease agreement for a vehicle; monthly payment of \$1,853; 78-month lease term expiring May 2022	\$ -	\$ 19,881
Operating lease agreement for office equipment; monthly payment of \$257; 60-month lease term expiring March 2022	-	2,266
Operating lease agreement for office equipment; monthly payment of \$120; 51-month lease term expiring July 2022	<u>76</u>	<u>1,520</u>
<i>Total carried to next page</i>	<u>\$ 76</u>	<u>\$ 23,667</u>

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 7 – Leases and Commitments (continued)

	<u>2022</u>	<u>2021</u>
<i>Total from previous page</i>	\$ 76	\$ 23,667
Operating lease agreement for a vehicle; monthly payment of \$1,097; 84-month lease term expiring March 2027	55,544	65,652
Operating lease agreement for a vehicle; monthly payment of \$980; 78-month lease term expiring March 2026	40,136	49,631
Operating lease agreement for a vehicle; monthly payment of \$893; 78-month lease term expiring February 2027	44,520	52,785
Operating lease agreement for a vehicle; monthly payment of \$835; 84-month lease term expiring June 2028	51,229	58,489
Operating lease agreement for office equipment; monthly payment of \$388; 60-month lease term expiring March 2028	20,588	-
Operating lease agreement for a vehicle; monthly payment of \$960; 78-month lease term expiring December 2027	<u>55,297</u>	<u>-</u>
Total	267,390	250,224
Less current portion	<u>(50,820)</u>	<u>(58,675)</u>
Operating lease obligations, net of current portion, net of unamortized present value discount	<u>\$ 216,570</u>	<u>\$ 191,549</u>
Weighted average discount rate at June 30	5%	5%
Weighted average remaining lease term at June 30	2.9 years	2.9 years

Future annual undiscounted lease payments under operating leases are as follows at June 30, 2022:

Year ended <u>June 30</u>	<u>Total</u>
2023	\$ 50,820
2024	53,204
2025	55,108
2026	54,885
2027 and thereafter	53,373
	<u>\$ 267,390</u>



# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 8 – 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 was calculated at \$72,988 and \$60,454 with no outstanding claims at June 30, 2022 and 2021, respectively. The letter of credit is unsecured.

### Note 9 – In-Kind Contributions

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

	<u>2022</u>	<u>2021</u>
Donated food	<u>\$ 11,603,410</u>	<u>\$ 13,378,320</u>
	<u>\$ 11,603,410</u>	<u>\$ 13,378,320</u>

### Note 10 – Special Event

The Organization derived net support from the following special fundraising event during the year ended June 30, 2022:

	<u>Rockin'</u>
Sales and contributions	<u>\$ 459,288</u>
Direct costs	<u>(27,945)</u>
Net support	<u>\$ 431,343</u>

The Organization derived net support from the following special fundraising event during the year ended June 30, 2021:

	<u>Rockin'</u>
Sales and contributions	<u>\$ 636,162</u>
Direct costs	<u>(479)</u>
Net support	<u>\$ 635,683</u>

### Note 11 – 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 \$142,660 and \$131,295 for the years ended June 30, 2022 and 2021, respectively.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

### Note 12 – Liquidity and Availability of Resources

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 six 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, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 6,166,363	\$ 5,145,815
Investments	4,289,016	4,651,570
Pledges and grants receivable	15,915	100,170
Accounts receivable	<u>27,982</u>	<u>7,423</u>
	<u>10,499,276</u>	<u>9,904,978</u>
Less amounts not available to be used within one year:		
Assets designated by the board for operational reserve	<u>(2,988,850)</u>	<u>(3,211,550)</u>
	<u>(2,988,850)</u>	<u>(3,211,550)</u>
Financial assets available for general expenditures within one year	<u>\$ 7,510,426</u>	<u>\$ 6,693,428</u>

All of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of June 30, 2022 will be fully released during the next fiscal year.

### Note 13 – Beneficial Interest in Assets Held at Community Foundation

The Ann Arbor Area Community Foundation ("the Foundation") acts under an arrangement as a depository for gifts, conveyances, and other transfers intended to assist Food Gatherers in achieving its goals and purposes. At June 30, 2022 and 2021, the Foundation held donations for the benefit of Food Gatherers of \$26,043 and \$23,243, respectively. As the Foundation holds variance power over these assets and, therefore, has the authority to redirect these funds, these amounts are not recorded as assets of the Organization.

# Food Gatherers

## Notes to Financial Statements

June 30, 2022 and 2021

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### Note 14 – 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, 2022 and 2021. Claim payments based on actual claims ultimately filed could differ materially from these estimates.

### Note 15 – Concentrations

*Major Grantors*. The Organization had two major grantors of noncash food product, which comprised approximately 21% of total support and revenue for the year ended June 30, 2022.

*Bank Deposits*. At certain times during the years ended June 30, 2022 and 2021, 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, 2022 and 2021.