

**Food Bank of
Eastern Michigan**

Financial Statements

**September 30, 2015
(With Summarized Comparative
Information for 2014)**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7

Independent Auditors' Report

Board of Directors
Food Bank of Eastern Michigan
Flint, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of Eastern Michigan, which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the twelve months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 Bank of Eastern Michigan as of September 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Food Bank of Eastern Michigan's September 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the nine months ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters:

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016 on our consideration of Food Bank of Eastern Michigan'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 Food Bank of Eastern Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
June 14, 2016

Food Bank of Eastern Michigan
Statement of Financial Position
September 30, 2015
(With Summarized Comparative Information for 2014)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 251,452	\$ 191,008
Shared maintenance fees receivable	232,139	263,534
Grants and contributions receivable	119,880	108,195
Pledges receivable - current	786,861	1,315,960
Accounts receivable - other	16,309	27,218
Inventory	2,566,503	2,877,504
Total current assets	3,973,144	4,783,419
Non-current assets		
Investments	2,303,368	4,412,758
Pledges receivable - non-current	190,386	419,725
Total non-current assets before land, building, and equipment	2,493,754	4,832,483
Land, buildings and equipment	12,267,808	8,851,807
Less: accumulated depreciation	(2,864,174)	(2,412,445)
Net land, building and equipment	9,403,634	6,439,362
Total non-current assets	11,897,388	11,271,845
Total assets	\$ 15,870,532	\$ 16,055,264
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 515,570	\$ 1,053,371
Accrued expenses	351,195	318,293
Line of credit	660,000	500,000
Capital lease obligation	35,020	-
Deferred revenue	729,062	881,514
Total current liabilities	2,290,847	2,753,178
Non-current liabilities		
Capital lease obligation	150,205	-
Total liabilities	2,441,052	2,753,178
Net assets		
Unrestricted		
Net investment in land, building, and equipment, net of related debt	8,558,409	5,939,362
Other unrestricted	3,723,980	5,437,062
Temporarily restricted	1,147,091	1,925,662
Total net assets	13,429,480	13,302,086
Total liabilities and net assets	\$ 15,870,532	\$ 16,055,264

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Activities
For the Twelve Months Ended September 30, 2015
(With Summarized Comparative Information for the Nine Months Ended
September 30, 2014)

	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
<u>Change in Unrestricted Net Assets</u>		
Revenue		
Donated foods and goods	\$ 41,587,829	\$ 32,326,269
Shared maintenance	2,826,959	1,944,203
United Way allocations	38,277	40,982
Contributions from the public	2,356,374	1,281,605
Investment income (loss)	(9,789)	157,597
Interest income - banks	3	5
Miscellaneous income	18,707	3,031
Total operating revenue	<u>46,818,360</u>	<u>35,753,692</u>
Net assets released from restrictions		
Satisfaction of program restrictions	4,259,014	4,561,355
Total unrestricted support and revenue and reclassifications	<u>51,077,374</u>	<u>40,315,047</u>
Expenses		
Program activities		
General distribution	48,919,469	37,444,123
Supporting activities		
Management and general	570,136	324,611
Fundraising	681,804	413,972
Total expenses	<u>50,171,409</u>	<u>38,182,706</u>
Change in unrestricted net assets	<u>905,965</u>	<u>2,132,341</u>
<u>Change in Temporarily Restricted Net Assets</u>		
Grants from governmental agencies	1,207,818	1,128,495
Other grants	1,293,563	635,106
Contributions from the public	470,000	-
Capital campaign contributions	509,062	3,791,973
Net assets released from restrictions	<u>(4,259,014)</u>	<u>(4,561,355)</u>
Change in temporarily restricted net assets	<u>(778,571)</u>	<u>994,219</u>
Change in net assets	<u>127,394</u>	<u>3,126,560</u>
Net assets beginning of year		
Unrestricted	11,376,424	9,244,083
Temporarily restricted	1,925,662	931,443
Total net assets - beginning of year	<u>13,302,086</u>	<u>10,175,526</u>
Net assets at the end of the year		
Unrestricted	12,282,389	11,376,424
Temporarily restricted	1,147,091	1,925,662
Total net assets - end of year	<u>\$ 13,429,480</u>	<u>\$ 13,302,086</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Functional Expenses
For the Twelve Months Ended September 30, 2015
(With Summarized Comparative Information for the Nine Months Ended September 30, 2014)

	Program Services	Support Services		Total	
	General Distribution	Management and General	Fundraising	Fiscal 2015	Fiscal 2014
Expenses					
Salaries	\$ 1,552,942	\$ 354,608	\$ 231,713	\$ 2,139,263	\$ 1,654,185
Pension	119,732	31,928	18,817	170,477	83,090
Employee benefits	197,304	37,734	27,920	262,958	186,644
Payroll taxes	122,518	27,718	18,227	168,463	125,091
Total salaries and related expenses	1,992,496	451,988	296,677	2,741,161	2,049,010
Conferences, conventions and meetings	34,015	5,537	-	39,552	29,585
Contract services	67,099	10,669	9,046	86,814	74,366
Dues	73,865	12,025	-	85,890	91,580
Employee expense	4,084	649	550	5,283	7,368
Food	44,500,267	-	-	44,500,267	34,206,609
Insurance	50,435	3,219	-	53,654	50,612
Miscellaneous	26,584	4,623	84,374	115,581	21,846
Occupancy	252,139	40,093	33,993	326,225	183,911
Printing, postage and publications	21,132	3,962	106,979	132,073	86,164
Professional fees	34,626	5,506	4,668	44,800	32,889
Supplies	14,300	2,860	125,836	142,996	77,102
Support of other organizations	895,839	-	-	895,839	658,843
Telephone	11,956	1,901	1,612	15,469	12,770
Transportation	534,076	-	-	534,076	416,585
Total expenses before depreciation	48,512,913	543,032	663,735	49,719,680	37,999,240
Depreciation	406,556	27,104	18,069	451,729	183,466
Total expenses	\$ 48,919,469	\$ 570,136	\$ 681,804	\$ 50,171,409	\$ 38,182,706

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Cash Flows
For the Twelve Months Ended September 30, 2015
(With Summarized Comparative Information for the Nine Months Ended
September 30, 2014

	Fiscal 2015	Fiscal 2014
Cash flows from operating activities		
Change in net assets	\$ 127,394	\$ 3,126,560
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	451,729	183,466
Unrealized loss on investments	552,686	24,803
Realized gain on investments	(496,013)	(148,755)
Change in present value of pledges receivable	274	11,081
(Increase) decrease in assets:		
Shared maintenance receivable	31,395	35,917
Grants receivable	(776)	223,783
Pledges receivable	758,164	(1,481,411)
Prepaid expenses	-	12,363
Inventory	311,001	(710,043)
Increase (decrease) in liabilities:		
Accounts payable	(537,801)	713,126
Accrued expenses	32,902	132,613
Deferred revenue	(152,452)	382,548
Net cash provided by operating activities	<u>1,078,503</u>	<u>2,506,051</u>
Cash flows from investing activities		
Proceeds from sale of investments	3,053,631	3,186,859
Purchase of investments	(1,000,914)	(3,443,636)
Purchase of fixed assets	(3,416,001)	(3,367,594)
Net cash used by investing activities	<u>(1,363,284)</u>	<u>(3,624,371)</u>
Cash flows from financing activities		
Proceeds from revolving line of credit	160,000	500,000
Proceeds from capital lease	216,740	-
Payments on capital lease obligation	(31,515)	-
Net cash provided by financing activities	<u>345,225</u>	<u>500,000</u>
Net change in cash and cash equivalents	<u>60,444</u>	<u>(618,320)</u>
Cash and cash equivalents - beginning of period	<u>191,008</u>	<u>809,328</u>
Cash and cash equivalents - end of period	<u>\$ 251,452</u>	<u>\$ 191,008</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Note 1 - Summary of Significant Accounting Policies

Organization

Food Bank of Eastern Michigan, Inc. (Food Bank) is a nonprofit charitable organization whose purpose is to alleviate hunger and other needs by soliciting, storing and distributing goods to member charitable service agencies serving the needy, ill and infants. The Food Bank services the eastern half of the State of Michigan north of Livingston County.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

As of the 2014 fiscal year, the Food Bank changed its fiscal year end date from December 31 to September 30 to align itself with the fiscal year of oversight agencies for ease and comparability of reporting. Thus, the results presented in the financial statements for the fiscal period ending September 30, 2015 (Fiscal 2015) are for a twelve month period, while the prior fiscal period reported in the comparative statements is for the nine months ended September 30, 2014 (Fiscal 2014). The Food Bank is subject to seasonal variations in operations, most notably October through December due to increased distributions for the holiday season. It is not deemed practical to restate the prior year financial statements for comparability.

Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Food Bank and changes therein are classified and reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Food Bank and are not subject to donor-imposed stipulations.
- Temporarily restricted net assets consist of contributions which are restricted for use in specified programs in the amount of \$ 169,844 and \$ 114,977 as of September 30, 2015 and September 30, 2014, respectively. Also, it consists of amounts whose restrictions expire with the passage of time for \$ 977,247 (of which \$ 470,000 is also restricted for special programs) and \$ 1,810,685 as of September 30, 2015 and September 30, 2014, respectively.
- Permanently restricted net assets comprise funds that are subject to restrictions that the principal be maintained in perpetuity and invested for the purposes of producing present and future income that may be expended by the Food Bank. No permanently restricted assets exist as of September 30, 2015 and September 30, 2014.

The Food Bank records temporarily restricted cash contributions that are received and expended in the same fiscal period as temporarily restricted revenue. As donor restrictions are satisfied, net assets are released from restrictions.

The Food Bank obtains donations under federal grants administered through state and local agencies.

- The USDA – TEFAP Program whereby the Food Bank provides temporary emergency food assistance to the participating agencies and is partially funded through the State of Michigan Department of Education, acting for the United States Department of Agriculture (USDA).

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

- The Federal Emergency Management Agency (FEMA) represents federal funds which have been distributed to the Food Bank through the United Way agencies for the benefit of Arenac County, Genesee, and Lapeer Counties. The funds are designated for the purchase of food for distribution to qualified agencies.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Food Bank considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

The Food Bank maintains its excess cash balances in a variety of financial instruments such as corporate bonds, mutual funds, certificates of deposit and government obligations. The Food Bank has not experienced any material losses in these transactions nor in any of the short-term investment instruments it has used for excess cash balances. Accounts are insured by the Federal Deposit Insurance Corporation up to \$ 250,000 per institution. At September 30, 2015, the deposits were reflected in the accounts of financial institutions at \$ 277,112, of which \$ 250,000 is covered by federal depository insurance.

Shared Maintenance Fees, Grants, Contributions, Pledges, and Accounts Receivable

The Food Bank charges a shared maintenance fee to the recipient agency, church or other charitable organization which takes the donated food and commodities and redistributes to the poor, needy and hungry. The Food Bank also distributes donated food to its Feeding America affiliates. This fee offsets a portion of the handling and redistribution costs incurred by the Food Bank.

Management considers all receivables to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded. If amounts are determined to be uncollectible, they are charged to operations at that time. Uncollectible accounts are determined by management on a case by case basis. Uncollectible accounts written off and recorded as bad debt expense in Fiscal 2015 and Fiscal 2014 were \$ 0.

Inventories

Food donated to the Food Bank is capitalized as inventory and recorded as an unrestricted contribution. Upon distribution, the food is recorded as a decrease in unrestricted net assets and an expense under food.

Investments

Investments in marketable securities with readily determined fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Land, Buildings, Equipment, and Depreciation

Acquired assets are stated at cost and donated assets at fair market value. Expenditures for new acquisitions, renewals, and betterments, which increase productive capacity or prolong service lives of the property and equipment are capitalized. Maintenance and repairs which do not enhance the value or extend the useful life are charged to costs and expensed as incurred.

Depreciation for financial reporting is computed by the straight-line method using lives which range from five to forty years.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassified temporarily restricted net assets to unrestricted net assets at that time.

Long-Lived Assets

The Food Bank evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Contributed Goods and Services

Contributed services are reported in the financial statements for voluntary donations of services when these services create or enhance non-financial assets, or require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

Donated materials are recorded at their fair value at the date of the gift. The Food Bank does not imply time restrictions for gifts of long-lived assets. As a result, in absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

Volunteers have donated significant amounts of time to the Food Bank in various capacities.

Deferred Revenue

Amounts recorded as deferred revenue for the year ended September 30, 2015, represent advance payments on accounts received from the Food Bank partner agencies.

Functional Allocation of Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Organization files informational returns in the U.S. federal and Michigan jurisdictions.

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.

Comparative Financial Information

The financial information for Fiscal 2014, presented for comparative purposes, is not intended to be a complete financial statement presentation. As previously noted, the Food Bank changed its fiscal year end date to September 30 beginning with the 2014 fiscal period. Please refer to this discussion under "Basis of Presentation" above for comparability considerations.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Subsequent Events

Management has evaluated subsequent events through June 14, 2016, which is the date the financial statements were available to be issued.

Note 2 - Inventory

Activities of donated food inventory are summarized as follows:

	Fiscal 2015		Fiscal 2014	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	764,300	\$ 1,314,596	926,469	\$ 1,565,733
Pounds received	19,939,126	33,881,229	14,131,180	24,333,423
Pounds distributed	19,550,914	33,236,554	13,996,218	24,073,495
Pounds destroyed	293,347	498,690	297,131	511,065
Ending inventory	<u>859,165</u>	<u>\$ 1,460,581</u>	<u>764,300</u>	<u>\$ 1,314,596</u>

In addition to general donated food, the Food Bank also maintains an inventory of USDA-specific donated food as follows:

	Fiscal 2015		Fiscal 2014	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	745,442	\$ 1,282,160	193,845	\$ 327,598
Pounds received	2,314,097	3,919,055	2,317,439	3,991,810
Pounds distributed	2,529,992	4,300,986	1,765,842	3,037,248
Ending inventory	<u>529,547</u>	<u>\$ 900,229</u>	<u>745,442</u>	<u>\$ 1,282,160</u>

The estimated value of both USDA and donated food for Fiscal 2015 and Fiscal 2014 was \$1.70 per pound and \$ 1.72 per pound, respectively. The federal value of USDA inventory at September 30, 2015 and 2014 is \$ 266,784 and \$ 474,284, respectively; the remaining value is attributed to local amounts.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

In addition to donated food and USDA food, the Food Bank also maintains an inventory for purchased food as follows:

	Fiscal 2015		Fiscal 2014	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	407,671	\$ 280,748	483,403	\$ 274,130
Pounds received	2,465,599	1,733,344	2,002,456	1,154,069
Pounds distributed	2,476,950	1,808,399	2,075,122	1,147,451
Pounds destroyed	2,744	-	3,066	-
Ending inventory	<u>393,576</u>	<u>\$ 205,693</u>	<u>407,671</u>	<u>\$ 280,748</u>

Purchased food is valued at purchase price.

The Food Bank partners with the Hidden Harvest organization to distribute a portion of their food inventory. Total pounds distributed through Hidden Harvest during the twelve months ended September 30, 2015 and the nine months ended September 30, 2014, totaled 678,833 and 446,441, respectively.

Note 3 - Investments

Investments are stated at fair value and are summarized as of September 30, 2015 and 2014 as follows:

	September 30, 2015	September 30, 2014
Money market funds	\$ 88,045	\$ 140,045
Mutual funds	444,377	1,032,673
Fixed income and equities	1,770,946	3,240,040
	<u>\$ 2,303,368</u>	<u>\$ 4,412,758</u>

Total unrealized appreciation above the cost of investments is detailed as follows for the fiscal periods ended:

	September 30, 2015	September 30, 2014
Mutual funds	\$ 10,783	\$ 161,740
Fixed income and equities	198,959	638,611
	<u>\$ 209,742</u>	<u>\$ 800,351</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Investment return is summarized as follows:

	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Interest and dividends	\$ 64,720	\$ 49,094
Realized gains on investments	496,013	148,755
Unrealized loss on investments	(552,686)	(24,803)
Investment advisory fees	<u>(17,836)</u>	<u>(15,449)</u>
	<u>\$ (9,789)</u>	<u>\$ 157,597</u>

Note 4 - Fair Value Measurements

ASC (Accounting Standards Update) Topic 820 provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with FASB ASC 820-10, the Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Basis of Fair Value Measurement

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Fixed Income/Equities:

Valued at the composite closing price as reported on the active market on which the individual securities are traded.

Mutual Funds:

Valued using the Net Asset Value (NAV) of shares held by the plan at period-end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is quoted in an active market.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

The following table segregates all financial assets and liabilities as of September 30, 2015 and 2014 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2015</u>	<u>Total</u>			
Mutual funds	\$ 444,377	\$ 444,377	\$ -	\$ -
Fixed income & equities	<u>1,770,946</u>	<u>1,770,946</u>	-	-
Total	<u>\$ 2,215,323</u>	<u>\$ 2,215,323</u>	<u>\$ -</u>	<u>\$ -</u>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2014</u>	<u>Total</u>			
Mutual funds	\$ 1,032,673	\$ 1,032,673	\$ -	\$ -
Fixed income & equities	<u>3,240,040</u>	<u>3,240,040</u>	-	-
	<u>\$ 4,272,713</u>	<u>\$ 4,272,713</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Pledges Receivable

As of September 30, 2015 and 2014, the Organization had pledges receivable of \$ 977,247 and \$ 1,735,685, respectively, which are expected to be received over the next 1 to 5 years as follows:

	<u>September 30,</u>	<u>Cash Pledges</u>	<u>In-Kind Pledges</u>	<u>Total</u>
	2016	\$ 771,861	\$ 15,000	\$ 786,861
	2017	116,621	15,000	131,621
	2018	25,120	15,000	40,120
	2019	-	15,000	15,000
	2020	-	15,000	15,000
		<u>\$ 913,602</u>	<u>\$ 75,000</u>	\$ 988,602
Less present value discount				<u>(11,355)</u>
				<u>\$ 977,247</u>

A rate of 1.86% was used to calculate the present value discount noted above. Of the total pledge receivable, \$ 13,054 and \$ 49,576 was pledged by Board members and employees as of September 30, 2015 and 2014,

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

respectively. Current pledges include a significant estimate of a bequest trust receivable in the amount of \$ 470,000 the amount is expected to be received in full within one year.

Note 6 - Land, Building and Equipment

Land, building and equipment consist of the following:

	September 30, 2015	September 30, 2014
Land	\$ 92,159	\$ 92,159
Buildings	3,084,111	3,084,111
Building improvements	6,877,476	1,009,385
Construction in progress	-	3,233,477
Equipment	811,220	414,521
Furniture and fixtures	173,294	17,829
Vehicles	1,229,548	1,000,325
Total land, building, and equipment	12,267,808	8,851,807
Less: accumulated depreciation	2,864,174	2,412,445
	<u>\$ 9,403,634</u>	<u>\$ 6,439,362</u>

Note 7 - Capital Lease

During October 2014, the Food Bank financed the acquisition of two trucks with a capital lease arrangement bearing interest at 1.92%. Payments are \$ 3,190 per month. The following is a schedule of future minimum lease payments:

Years Ending September 30,	Principal	Interest	Total
2016	\$ 35,020	\$ 3,260	\$ 38,280
2017	35,701	2,579	38,280
2018	36,394	1,886	38,280
2019	37,102	1,178	38,280
2020	37,823	457	38,280
2021	3,185	5	3,190
	<u>\$ 185,225</u>	<u>\$ 9,365</u>	<u>\$ 194,590</u>

The assets acquired through the capital lease is as follows:

Vehicles	\$ 216,740
Less accumulated depreciation	<u>(33,133)</u>
	<u>\$ 183,607</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Note 8 - Line of Credit

The Food Bank has a \$ 1,500,000 revolving line of credit bearing interest at prime minus .75% (floating) that is due on demand with a 24 month hard maturity and is collateralized by the Food Bank's operations building. The line of credit is to be used for cash flow purposes of construction of the Hunger Solutions Center. As of September 30, 2015 and 2014, the balance outstanding was \$ 660,000 and \$ 500,000, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2015 and 2014:

	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Hunger Solutions Center Construction	\$ 507,247	\$1,735,685
Education of children	470,000	-
Program - general food distribution	<u>169,844</u>	<u>189,977</u>
Total	<u>\$1,147,091</u>	<u>\$1,925,662</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Temporarily restricted net assets, which were expended for their specified purpose during Fiscal 2015 and Fiscal 2014 consist of the following:

<u>Donor/Program</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>
Various donors - capital campaign	\$ 1,812,501	\$2,906,110
Kid's Café and Summer Foods	1,091,732	803,258
Food Bank Council of Michigan - Various Grants	462,220	361,814
Michigan Dept of Agriculture & Rural Development	260,655	-
GISD - Head Start	148,869	81,546
Charles Stewart Mott Foundation	123,523	88,253
USDA - Food Handling	62,692	99,748
Feeding America	60,898	41,322
Ruth Mott Foundation	57,680	-
Federal Emergency Management Agency (FEMA)	53,392	31,143
SYI Genesee Chamber Foundation	53,319	123,963
Nickless Foundation	24,565	13,235
Community Foundation of Southeastern Michigan	22,000	-
Kaiser Foundation	8,902	1,694
Merkley-Elderly Charitable Trust	5,600	4,400
Kiwanis Club of Flint	3,526	2,474
Loeb Trust	3,200	-
Chemical Bank	1,000	-
Genesee County	1,000	-
Target Corporation	1,000	-
Sodexo Foundation	740	517
Hurley Foundation	-	1,000
Carl M. Conner Fund - CFGF	-	500
Shroeder Foundation	-	378
	<u> </u>	<u> </u>
Total net assets released from restrictions	<u>\$4,259,014</u>	<u>\$4,561,355</u>

Note 10 - Contingencies

The Food Bank participates in a number of federal, state and locally assisted grant programs. In accordance with OMB Circular A-133, compliance audits of federal grants were made during the current fiscal period and have been reported under a separate cover. However, specific grantors have yet to make final approval of expenditures that may be disallowed by the grantor agencies. Management believes that such amounts, if any, to be immaterial.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Note 11 - Pension Plan

The Food Bank maintains a 401(k) profit sharing pension plan. Employees are eligible to participate at the semiannual entrance date after one year of service and attainment of 21 years of age. The plan allows for discretionary contributions by the Food Bank plus matching contributions up to 10% of employee compensation. The Food Bank's contribution amounted to \$ 170,477 and \$ 44,593 for Fiscal 2015 and Fiscal 2014, respectively.

Note 12 - Compensated Absences

Full time employees are eligible to earn and accumulate vacation and sick days. After one year of employment, a full time employee earns five days of paid vacation, after two years earns ten days of paid vacation, after five years earns 15 days of paid vacation, and after ten years the employee earns 20 days of paid vacation. A maximum of one year accumulated vacation time may be carried over to the next fiscal period. Employees are paid out for all accumulated vacation days upon termination or retirement.

Full time employees also earn 10 sick and four personal days on their anniversary date. Earned sick days may be accumulated up to 40 working days. Personal days must be used within the year or will be forfeited. One half of earned sick hours in excess of 320 hours is paid to the full time employee the first pay period in December each year.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2015
(With Summarized Comparative Information for 2014)

Note 13 - Reclassifications

Management has determined that certain amounts reported as temporarily restricted activity in prior years are more accurately reported as unrestricted activity. Accordingly, for the year ended September 30, 2014, certain amounts presented as temporarily restricted revenue and net assets released from restrictions were reclassified to unrestricted activity for a net effect of reducing temporarily restricted net assets and increasing unrestricted net assets. This change had no effect on total change in net assets or total beginning and ending net assets. Amounts shown below for each line item presented that was affected by the reclassification.

	<u>2014 Reclassed</u>	<u>Prior Presentation</u>
<u>Change in Unrestricted Net Assets</u>		
Donated foods and goods	\$ 32,326,269	\$ 31,166,438
Satisfaction of program restrictions	4,561,355	5,376,525
Change in unrestricted net assets	2,132,341	1,787,680
<u>Change in Temporarily Restricted Net Assets</u>		
Grants from governmental agencies	1,128,495	2,288,326
Net assets released from restrictions	(4,561,355)	(5,376,525)
Change in temporarily restricted net assets	994,219	1,338,880
 Net assets beginning of year		
Unrestricted	9,244,083	9,114,461
Temporarily restricted	931,443	1,061,065
Total net assets - beginning of year	<u>10,175,526</u>	<u>10,175,526</u>
 Net assets at the end of the year		
Unrestricted	11,376,424	10,902,141
Temporarily restricted	1,925,662	2,399,945
Total net assets - end of year	<u>\$ 13,302,086</u>	<u>\$ 13,302,086</u>