

**Food Bank of
Eastern Michigan**

Financial Statements

**September 30, 2016
(With Summarized Comparative
Information for 2015)**

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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, 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 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, 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.

Report on Summarized Comparative Information

We have previously audited Food Bank of Eastern Michigan's September 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 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 May 25, 2017 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
May 25, 2017

Food Bank of Eastern Michigan
Statement of Financial Position
September 30, 2016
(With Summarized Comparative Information for 2015)

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 345,280	\$ 251,452
Shared maintenance fees receivable	236,444	232,139
Grants and contributions receivable	541,089	119,880
Pledges receivable - current	416,469	786,861
Accounts receivable - other	89,672	16,309
Inventory	3,242,583	2,566,503
	4,871,537	3,973,144
Total current assets		
Non-current assets		
Investments	2,373,327	2,303,368
Pledges receivable - non-current	89,721	190,386
	2,463,048	2,493,754
Total non-current assets before land, building, and equipment		
Land, buildings and equipment	13,428,818	12,267,807
Less: accumulated depreciation	(3,465,883)	(2,864,173)
	9,962,935	9,403,634
Net land, building and equipment		
Total non-current assets	12,425,983	11,897,388
Total assets	\$ 17,297,520	\$ 15,870,532
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 250,459	\$ 515,570
Accrued expenses	477,380	351,195
Line of credit	341,075	660,000
Capital lease obligation	35,701	35,020
Deferred revenue	906,504	729,062
	2,011,119	2,290,847
Total current liabilities		
Non-current liabilities		
Capital lease obligation	114,504	150,205
	114,504	150,205
Total liabilities	2,125,623	2,441,052
Net assets		
Unrestricted		
Net investment in land, building, and equipment, net of related debt	9,471,655	8,558,409
Other unrestricted	4,479,589	3,723,980
Temporarily restricted	1,220,653	1,147,091
	15,171,897	13,429,480
Total net assets		
Total liabilities and net assets	\$ 17,297,520	\$ 15,870,532

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Activities
For the Year Ended September 30, 2016
(With Summarized Comparative Information for 2015)

	2016	2015
<u>Change in Unrestricted Net Assets</u>		
Revenue		
Donated foods and goods	\$ 48,076,157	\$ 41,587,829
Shared maintenance	2,753,389	2,826,959
United Way allocations	45,816	38,277
Contributions from the public	3,484,416	2,356,374
Investment income (loss)	220,177	(9,789)
Interest income - banks	3	3
Miscellaneous income	53,969	18,707
Total operating revenue	54,633,927	46,818,360
Net assets released from restrictions		
Satisfaction of program restrictions	4,249,428	4,259,014
Total unrestricted revenue and net assets released from restrictions	58,883,355	51,077,374
Expenses		
Program activities		
General distribution	55,787,336	48,919,469
Supporting activities		
Management and general	649,135	570,136
Fundraising	778,029	681,804
Total expenses	57,214,500	50,171,409
Change in unrestricted net assets	1,668,855	905,965
<u>Change in Temporarily Restricted Net Assets</u>		
Grants from governmental agencies	2,167,236	1,207,818
Other grants	2,135,549	1,293,563
Contributions from the public	-	470,000
Capital campaign contributions	20,205	509,062
Net assets released from restrictions	(4,249,428)	(4,259,014)
Change in temporarily restricted net assets	73,562	(778,571)
Change in net assets	1,742,417	127,394
Net assets beginning of year		
Unrestricted	12,282,389	11,376,424
Temporarily restricted	1,147,091	1,925,662
Total net assets - beginning of year	13,429,480	13,302,086
Net assets at the end of the year		
Unrestricted	13,951,244	12,282,389
Temporarily restricted	1,220,653	1,147,091
Total net assets - end of year	\$ 15,171,897	\$ 13,429,480

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Functional Expenses
For the Year Ended September 30, 2016
(With Summarized Comparative Information for 2015)

	Program Services	Support Services		Total	
	General Distribution	Management and General	Fundraising	2016	2015
Expenses					
Salaries	\$ 2,017,484	\$ 413,823	\$ 267,317	\$ 2,698,624	\$ 2,139,263
Pension	131,648	32,475	18,609	182,732	170,477
Employee benefits	181,773	33,350	23,247	238,370	262,958
Payroll taxes	162,075	32,805	21,381	216,261	168,463
Total salaries and related expenses	2,492,980	512,453	330,554	3,335,987	2,741,161
Conferences, conventions and meetings	25,981	4,229	-	30,210	39,552
Contract services	93,205	13,823	11,222	118,250	86,814
Dues	84,517	13,758	-	98,275	85,890
Employee expense	1,928	286	231	2,445	5,283
Food	50,485,012	-	-	50,485,012	44,500,267
Insurance	62,709	4,003	-	66,712	53,654
Miscellaneous	121,578	9,726	111,852	243,156	115,581
Occupancy	276,222	40,967	33,257	350,446	326,225
Printing, postage and publications	23,746	4,452	120,213	148,411	132,073
Professional fees	30,317	4,496	3,651	38,464	44,800
Supplies	16,099	3,220	141,672	160,991	142,996
Support of other organizations	955,777	-	-	955,777	895,839
Telephone	10,638	1,578	1,280	13,496	15,469
Transportation	564,461	-	-	564,461	534,076
Total expenses before depreciation	55,245,170	612,991	753,932	56,612,093	49,719,680
Depreciation	542,166	36,144	24,097	602,407	451,729
Total expenses	\$ 55,787,336	\$ 649,135	\$ 778,029	\$ 57,214,500	\$ 50,171,409

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Cash Flows
For the Year Ended September 30, 2016
(With Summarized Comparative Information for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 1,742,417	\$ 127,394
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	602,407	451,729
Loss on disposal of fixed assets	1,944	-
Unrealized (gain) loss on investments	(109,349)	552,686
Realized gain on investments	(81,401)	(496,013)
Change in present value of pledges receivable	274	274
(Increase) decrease in assets:		
Shared maintenance receivable	(4,305)	31,395
Grants receivable	(494,572)	(776)
Pledges receivable	470,783	758,164
Inventory	(676,080)	311,001
Increase (decrease) in liabilities:		
Accounts payable	(265,111)	(537,801)
Accrued expenses	126,185	32,902
Deferred revenue	177,442	(152,452)
Net cash provided by operating activities	<u>1,490,634</u>	<u>1,078,503</u>
Cash flows from investing activities		
Proceeds from sale of investments	709,416	3,053,631
Purchase of investments	(588,625)	(1,000,914)
Purchase of fixed assets	(1,163,652)	(3,416,001)
Net cash used by investing activities	<u>(1,042,861)</u>	<u>(1,363,284)</u>
Cash flows from financing activities		
Proceeds from revolving line of credit	-	160,000
Payments on line of credit	(318,925)	-
Proceeds from capital lease	-	216,740
Payments on capital lease obligation	(35,020)	(31,515)
Net cash provided (used) by financing activities	<u>(353,945)</u>	<u>345,225</u>
Net change in cash and cash equivalents	93,828	60,444
Cash and cash equivalents - beginning of period	<u>251,452</u>	<u>191,008</u>
Cash and cash equivalents - end of period	<u>\$ 345,280</u>	<u>\$ 251,452</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 3,260</u>	<u>\$ 3,575</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2016
(With Summarized Comparative Information for 2015)

Note 1 - Summary of Significant Accounting Policies

Organization

Food Bank of Eastern Michigan (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.

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 \$ 1,059,463 and \$ 714,844 as of September 30, 2016 and September 30, 2015, respectively. Also, it consists of amounts whose restrictions expire with the passage of time for \$ 506,190 (of which \$ 345,000 is also restricted for special programs) and \$ 977,247 (of which \$ 545,000 is also restricted for special programs) as of September 30, 2016 and September 30, 2015, 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, 2016 and September 30, 2015.

The Food Bank records temporarily restricted cash contributions that are received and expended in the same year 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).
- 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.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2016
(With Summarized Comparative Information for 2015)

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, 2016, the deposits were reflected in the accounts of financial institutions at \$ 785,541, 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.

Contributions and pledges receivable are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. These receivables are recognized as revenue in the statement of activities on the line items contributions from the public and grants.

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 for the years ended September 30, 2016 and 2015 were \$ 0.

Inventories

Federal commodity inventory donated to the Food Bank is capitalized as inventory and offset by deferred revenue. Upon distribution, the food is recorded as both a contribution and an expense, and the deferred revenue is relieved.

Other 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 changed 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.

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

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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, 2016 and 2015, represent advance payments on accounts received from the Food Bank partner agencies, as well as federal commodity inventory.

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 2015, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through May 25, 2017, which is the date the financial statements were available to be issued.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2016
(With Summarized Comparative Information for 2015)

Note 2 - Inventory

Activities of donated food inventory are summarized as follows:

	2016		2015	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	859,165	\$ 1,460,581	764,300	\$ 1,314,596
Pounds received	21,047,866	35,108,275	19,939,126	33,881,229
Pounds distributed	20,886,053	34,879,709	19,550,914	33,236,554
Pounds destroyed	208,723	348,567	293,347	498,690
Ending inventory	812,255	\$ 1,340,580	859,165	\$ 1,460,581

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

	2016		2015	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	529,547	\$ 900,229	745,442	\$ 1,282,160
Pounds received	3,079,349	5,142,513	2,314,097	3,919,055
Pounds distributed	2,618,499	4,372,893	2,529,992	4,300,986
Ending inventory	990,397	\$ 1,669,849	529,547	\$ 900,229

The estimated value of both USDA and donated food for 2016 and 2015 was \$1.67 per pound and \$ 1.70 per pound, respectively. The federal value of USDA inventory at September 30, 2016 and 2015 is \$ 391,713 and \$ 266,784, respectively; the remaining value is attributed to local amounts.

During 2016, the Food Bank became involved in distributing water as a result of the Flint water crisis. This activity is presented separately below. The value of donated water for the year was \$ 0.1375 per pound.

	2016		2015	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	-	\$ -	-	\$ -
Pounds received	26,701,792	3,671,496	-	-
Pounds distributed	26,701,792	3,671,496	-	-
Ending inventory	-	\$ -	-	\$ -

Food Bank of Eastern Michigan
Notes to the Financial Statements
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In addition to donated food, donated water, and USDA food, the Food Bank also maintains an inventory for purchased food as follows:

	2016		2015	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	393,576	\$ 205,693	407,671	\$ 280,748
Pounds received	3,206,198	1,728,972	2,465,599	1,733,344
Pounds distributed	3,210,322	1,702,511	2,476,950	1,808,399
Pounds destroyed	112	-	2,744	-
Ending inventory	<u>389,340</u>	<u>\$ 232,154</u>	<u>393,576</u>	<u>\$ 205,693</u>

Purchased food is valued at purchase price.

Note 3 - Investments

Investments are stated at fair value and are summarized as of September 30, 2016 and 2015 as follows:

	September 30, 2016	September 30, 2015
Money market funds	\$ 152,076	\$ 88,045
Mutual funds	867,271	444,377
Fixed income and equities	<u>1,353,980</u>	<u>1,770,946</u>
	<u>\$ 2,373,327</u>	<u>\$ 2,303,368</u>

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

	September 30, 2016	September 30, 2015
Mutual funds	\$ 178,359	\$ 10,783
Fixed income and equities	<u>134,620</u>	<u>198,959</u>
	<u>\$ 312,979</u>	<u>\$ 209,742</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2016
(With Summarized Comparative Information for 2015)

Investment return is summarized as follows:

	2016	2015
Interest and dividends	\$ 47,177	\$ 64,720
Realized gain on investments	81,401	496,013
Unrealized gain (loss) on investments	109,349	(552,686)
Investment advisory fees	(17,750)	(17,836)
	\$ 220,177	\$ (9,789)

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.

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The following table segregates all financial assets and liabilities as of September 30, 2016 and 2015 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:

<u>September 30, 2016</u>	<u>Total</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 867,271	\$ 867,271	\$ -	\$ -
Fixed income & equities	<u>1,353,980</u>	<u>1,353,980</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,221,251</u>	<u>\$ 2,221,251</u>	<u>\$ -</u>	<u>\$ -</u>

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

Note 5 - Pledges Receivable

As of September 30, 2016 and 2015, the Organization had pledges receivable of \$ 506,190 and \$ 977,247, 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>
2017	\$ 401,469	\$ 15,000	\$ 416,469
2018	23,788	15,000	38,788
2019	15,120	15,000	30,120
2020	-	15,000	15,000
2021	<u>-</u>	<u>15,000</u>	<u>15,000</u>
	<u>\$ 440,377</u>	<u>\$ 75,000</u>	<u>\$ 515,377</u>
Less present value discount			<u>(9,187)</u>
			<u>\$ 506,190</u>

Current pledges include a significant estimate of a bequest receivable in the amount of \$ 270,000 and \$ 470,000 at September 30, 2016 and 2015, respectively. The amount is expected to be received in full within one year.

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September 30, 2016
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Note 6 - Land, Building and Equipment

Land, building and equipment consist of the following:

	September 30, 2016	September 30, 2015
Land	\$ 92,159	\$ 92,159
Buildings	3,084,111	3,084,111
Building improvements	7,034,379	6,877,475
Equipment	911,749	811,220
Furniture and fixtures	176,214	173,294
Vehicles	2,130,206	1,229,548
Total land, building, and equipment	13,428,818	12,267,807
Less: accumulated depreciation	3,465,883	2,864,173
	<u>\$ 9,962,935</u>	<u>\$ 9,403,634</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
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>\$ 150,205</u>	<u>\$ 6,105</u>	<u>\$ 156,310</u>

The assets acquired through the capital lease is as follows:

Vehicles	\$ 216,740
Less accumulated depreciation	<u>(69,236)</u>
	<u>\$ 147,504</u>

Note 8 - Line of Credit

The Food Bank has a \$ 750,000 revolving line of credit bearing interest at prime minus .75% (floating) that is due on demand and is collateralized by the Food Bank's operations building. As of September 30, 2016 and 2015, the balance outstanding was \$ 341,075 and \$ 660,000, respectively.

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Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Hunger Solutions Center Construction	\$ 161,190	\$ 432,247
Donated services - nutritionist	75,000	75,000
Education of children	470,000	470,000
Program - general food/water distribution	<u>514,463</u>	<u>169,844</u>
Total	<u>\$1,220,653</u>	<u>\$1,147,091</u>

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Temporarily restricted net assets, which were expended for their specified purpose during 2016 and 2015 consist of the following:

Donor/Program	2016	2015
Kid's Café and Summer Foods	\$ 1,174,882	\$ 1,091,732
State of Michigan	913,874	-
Various donors - capital campaign	291,262	1,812,501
Michigan Dept of Agriculture & Rural Development	260,689	260,655
Food Bank Council of Michigan - Various Grants	251,527	462,220
Charles Stewart Mott Foundation	243,224	123,523
GISD - Head Start	221,526	148,869
PepsiCo Foundation	192,092	-
United Way of Genesee County	162,000	-
SYI Genesee Chamber Foundation	161,607	53,319
USDA - Food Handling	68,099	62,692
Walmart Foundation	65,925	-
Ruth Mott Foundation	42,320	57,680
Coca-Cola Foundation	26,824	-
Nickless Foundation	24,032	24,565
Grainger Foundation	22,452	-
Community Foundation of Southeastern Michigan	20,500	22,000
Wickson Link Memorial	12,500	-
Merkley-Elderly Charitable Trust	10,000	5,600
PNC Foundation	10,000	-
Halo Burger	10,000	-
Dairy Council of Michigan	10,000	-
Abbvie Foundation	10,000	-
Federal Emergency Management Agency (FEMA)	9,500	53,392
Kaiser Foundation	7,844	8,902
Novo Nordisk	7,000	-
Loeb Trust	6,800	3,200
Feeding America	4,303	60,898
Viola Bray	3,000	-
GM Foundation	1,887	-
Sodexo Foundation	1,259	740
Community Foundation of Northeast Michigan	1,000	-
Chemical Bank	1,000	1,000
FCA Foundation	500	-
Kiwanis Club of Flint	-	3,526
Genesee County	-	1,000
Target Corporation	-	1,000
Total net assets released from restrictions	<u>\$ 4,249,428</u>	<u>\$ 4,259,014</u>

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Note 10 - Contingencies

The Food Bank participates in a number of federal, state and locally assisted grant programs. In accordance with the Uniform Guidance, compliance audits of federal grants were made during the current year 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.

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 \$ 182,732 and \$ 170,477 for 2016 and 2015, 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 year. 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.

Accrued compensated absences recorded in accrued expenses on the statement of net position were \$ 142,531 and \$ 125,843 at September 30, 2016 and 2015, respectively.