

**Food Bank of
Eastern Michigan**

Financial Statements

**September 30, 2017
(With Summarized Comparative
Information for 2016)**



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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, 2017, 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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 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 April 9, 2018 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
April 9, 2018

Food Bank of Eastern Michigan
Statement of Financial Position
September 30, 2017
(With Summarized Comparative Information for 2016)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 122,673	\$ 345,280
Shared maintenance fees receivable	216,314	236,444
Grants and contributions receivable	693,336	541,089
Pledges receivable - current	80,076	416,469
Accounts receivable - other	367,337	89,672
Inventory	2,406,565	3,242,583
Total current assets	3,886,301	4,871,537
Non-current assets		
Investments	2,430,386	2,373,327
Pledges receivable - non-current	28,836	89,721
Total non-current assets before land, building, and equipment	2,459,222	2,463,048
Land, buildings and equipment	13,688,323	13,428,818
Less: accumulated depreciation	(4,173,711)	(3,465,883)
Net land, building and equipment	9,514,612	9,962,935
Total non-current assets	11,973,834	12,425,983
Total assets	\$ 15,860,135	\$ 17,297,520
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 806,678	\$ 250,459
Accrued expenses	319,078	477,380
Line of credit	-	341,075
Capital lease obligation	36,394	35,701
Deferred revenue	1,098,961	906,504
Total current liabilities	2,261,111	2,011,119
Non-current liabilities		
Capital lease obligation	78,110	114,504
Total liabilities	2,339,221	2,125,623
Net assets		
Unrestricted		
Net investment in land, building, and equipment, net of related debt	9,400,108	9,471,655
Other unrestricted	2,966,405	4,479,589
Temporarily restricted	1,154,401	1,220,653
Total net assets	13,520,914	15,171,897
Total liabilities and net assets	\$ 15,860,135	\$ 17,297,520

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Activities
For the Year Ended September 30, 2017
(With Summarized Comparative Information for 2016)

	2017	2016
<u>Change in Unrestricted Net Assets</u>		
Revenue		
Donated foods and goods	\$ 39,936,506	\$ 48,076,157
Shared maintenance	2,715,902	2,753,389
Gain on disposal of land, building, and equipment	10,925	-
United Way allocations	41,830	45,816
Contributions from the public	2,469,482	3,484,416
Investment income	273,147	220,177
Interest income - banks	3	3
Miscellaneous income	62,698	53,969
Total operating revenue	45,510,493	54,633,927
Net assets released from restrictions		
Satisfaction of program restrictions	6,171,462	4,249,428
Total unrestricted revenue and net assets released from restrictions	51,681,955	58,883,355
Expenses		
Program activities		
General distribution	51,699,366	55,787,336
Supporting activities		
Management and general	928,250	649,135
Fundraising	639,070	778,029
Total expenses	53,266,686	57,214,500
Change in unrestricted net assets	(1,584,731)	1,668,855
<u>Change in Temporarily Restricted Net Assets</u>		
Grants from governmental agencies	2,730,539	2,167,236
Other grants	3,373,736	2,135,549
Capital campaign contributions	935	20,205
Net assets released from restrictions	(6,171,462)	(4,249,428)
Change in temporarily restricted net assets	(66,252)	73,562
Change in net assets	(1,650,983)	1,742,417
Net assets beginning of year		
Unrestricted	13,951,244	12,282,389
Temporarily restricted	1,220,653	1,147,091
Total net assets - beginning of year	15,171,897	13,429,480
Net assets at the end of the year		
Unrestricted	12,366,513	13,951,244
Temporarily restricted	1,154,401	1,220,653
Total net assets - end of year	\$ 13,520,914	\$ 15,171,897

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Functional Expenses
For the Year Ended September 30, 2017
(With Summarized Comparative Information for 2016)

	Program Services	Support Services		Total	
	General Distribution	Management and General	Fundraising	2017	2016
Expenses					
Salaries	\$ 2,301,882	\$ 584,322	\$ 366,569	\$ 3,252,773	\$ 2,698,624
Pension	145,685	31,099	21,992	198,776	182,732
Employee benefits	196,120	45,649	30,382	272,151	238,370
Payroll taxes	208,146	49,515	32,463	290,124	216,261
Total salaries and related expenses	2,851,833	710,585	451,406	4,013,824	3,335,987
Conferences, conventions and meetings	37,071	5,568	5,114	47,753	30,210
Contract services	94,161	14,143	12,991	121,295	118,250
Dues	52,990	7,959	7,311	68,260	98,275
Employee expense	811	122	110	1,043	2,445
Food	45,261,044	-	-	45,261,044	50,485,012
Insurance	93,027	13,973	12,834	119,834	66,712
Miscellaneous	212,760	31,956	29,353	274,069	243,156
Occupancy	364,091	54,686	50,231	469,008	350,446
Printing, postage and publications	100,071	15,031	13,805	128,907	148,411
Professional fees	22,389	3,363	3,089	28,841	38,464
Supplies	135,130	20,296	18,643	174,069	160,991
Support of other organizations	1,133,848	-	-	1,133,848	955,777
Telephone	12,458	1,871	1,719	16,048	13,496
Transportation	597,232	-	-	597,232	564,461
Total expenses before depreciation	50,968,916	879,553	606,606	52,455,075	56,612,093
Depreciation	730,450	48,697	32,464	811,611	602,407
Total expenses	\$ 51,699,366	\$ 928,250	\$ 639,070	\$ 53,266,686	\$ 57,214,500

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Cash Flows
For the Year Ended September 30, 2017
(With Summarized Comparative Information for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (1,650,983)	\$ 1,742,417
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	811,611	602,407
Gain (Loss) on disposal of fixed assets	(10,925)	1,944
Unrealized loss on investments	(131,423)	(109,349)
Realized gain on investments	(116,261)	(81,401)
Receivables written off	108,123	-
Change in present value of pledges receivable	(6,389)	274
(Increase) decrease in assets:		
Shared maintenance receivable	20,130	(4,305)
Grants receivable	(538,035)	(494,572)
Pledges receivable	403,667	470,783
Inventory	836,018	(676,080)
Increase (decrease) in liabilities:		
Accounts payable	556,219	(265,111)
Accrued expenses	(158,302)	126,185
Deferred revenue	192,457	177,442
Net cash provided by operating activities	<u>315,907</u>	<u>1,490,634</u>
Cash flows from investing activities		
Proceeds from sale of investments	732,795	709,416
Purchase of investments	(542,170)	(588,625)
Proceeds from sale of equipment	15,300	-
Purchase of fixed assets	(367,663)	(1,163,652)
Net cash used by investing activities	<u>(161,738)</u>	<u>(1,042,861)</u>
Cash flows from financing activities		
Payments on line of credit	(341,075)	(318,925)
Payments on capital lease obligation	(35,701)	(35,020)
Net cash used by financing activities	<u>(376,776)</u>	<u>(353,945)</u>
Net change in cash and cash equivalents	(222,607)	93,828
Cash and cash equivalents - beginning of period	<u>345,280</u>	<u>251,452</u>
Cash and cash equivalents - end of period	<u>\$ 122,673</u>	<u>\$ 345,280</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 1,772</u>	<u>\$ 3,260</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2017
(With Summarized Comparative Information for 2016)

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 \$ 1,045,489 and \$ 1,059,463 as of September 30, 2017 and September 30, 2016, respectively. Also, it consists of amounts whose restrictions expire with the passage of time for \$ 108,912 (of which \$ 0 is restricted for special programs) and \$ 506,190 (of which \$ 345,000 was restricted for special programs) as of September 30, 2017 and September 30, 2016, 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, 2017 and September 30, 2016.

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 Saginaw, 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, 2017
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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, 2017, the deposits were reflected in the accounts of financial institutions at \$ 221,239, all of which 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, 2017 and 2016 were \$ 108,123 and \$ 0, respectively. Of these amounts written off, \$ 75,000 were in-kind pledged services that were not utilized by the Food Bank.

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

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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 reclassifies 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, 2017 and 2016, 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 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through April 9, 2018, which is the date the financial statements were available to be issued.

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

Note 2 - Inventory

Activities of donated food inventory are summarized as follows:

	2017		2016	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	812,255	\$ 1,340,580	859,165	\$ 1,460,581
Pounds received	20,768,326	35,993,825	21,047,866	35,108,275
Pounds distributed	19,995,171	34,591,646	20,886,053	34,879,709
Pounds destroyed	605,522	1,047,553	208,723	348,567
Ending inventory	<u>979,888</u>	<u>\$ 1,695,206</u>	<u>812,255</u>	<u>\$ 1,340,580</u>

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

	2017		2016	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	990,397	\$ 1,669,849	529,547	\$ 900,229
Pounds received	2,652,530	3,867,400	3,079,349	5,142,513
Pounds distributed	3,380,383	5,138,182	2,618,499	4,372,893
Ending inventory	<u>262,544</u>	<u>\$ 399,067</u>	<u>990,397</u>	<u>\$ 1,669,849</u>

The estimated value of USDA food for 2017 and 2016 was \$ 1.52 and \$ 1.67 per pound, respectively. The estimated value of other donated food for 2017 and 2016 was \$ 1.73 and \$ 1.67 per pound, respectively.

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 estimated value of donated water for 2017 and 2016 was \$.1200 and \$.1375 per pound, respectively.

	2017		2016	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	-	\$ -	-	\$ -
Pounds received	14,615,171	1,753,821	26,701,792	3,671,496
Pounds distributed	14,032,144	1,683,857	26,701,792	3,671,496
Ending inventory	<u>583,027</u>	<u>\$ 69,963</u>	<u>-</u>	<u>\$ -</u>

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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:

	2017		2016	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	389,340	\$ 232,154	393,576	\$ 205,693
Pounds received	4,781,283	2,995,943	3,206,198	1,728,972
Pounds distributed	4,711,079	2,983,761	3,210,322	1,702,511
Pounds destroyed	5,695	2,007	112	-
Ending inventory	<u>453,849</u>	<u>\$ 242,329</u>	<u>389,340</u>	<u>\$ 232,154</u>

Purchased food is valued at purchase price.

Note 3 - Investments

Investments are stated at fair value and are summarized as of September 30, 2017 and 2016 as follows:

	2017	2016
Money market funds	\$ 71,500	\$ 152,076
Mutual funds	316,029	867,271
Fixed income and equities	2,042,857	1,353,980
	<u>\$ 2,430,386</u>	<u>\$ 2,373,327</u>

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

	2017	2016
Mutual funds	\$ 298,739	\$ 178,359
Fixed income and equities	388,809	134,620
	<u>\$ 687,548</u>	<u>\$ 312,979</u>

Investment return is summarized as follows:

	2017	2016
Interest and dividends	\$ 43,362	\$ 47,177
Realized gain on investments	116,261	81,401
Unrealized gain (loss) on investments	131,423	109,349
Investment advisory fees	(17,899)	(17,750)
	<u>\$ 273,147</u>	<u>\$ 220,177</u>

Food Bank of Eastern Michigan
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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, 2017 and 2016 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, 2017</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	\$ 316,029	\$ 316,029	\$ -	\$ -
Fixed income & equities	<u>2,042,857</u>	<u>2,042,857</u>	-	-
Total	<u>\$ 2,358,886</u>	<u>\$ 2,358,886</u>	<u>\$ -</u>	<u>\$ -</u>

<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>\$ 2,221,251</u>	<u>\$ 2,221,251</u>	<u>\$ -</u>	<u>\$ -</u>

Note 5 - Pledges Receivable

As of September 30, 2017 and 2016, the Organization had pledges receivable of \$ 108,912 and \$ 506,190, respectively, which are expected to be received over the next 1 to 5 years as follows:

<u>September 30,</u>	
2018	\$ 80,076
2019	23,634
2020	<u>8,000</u>
	\$ 111,710
Less present value discount	<u>(2,798)</u>
	<u>\$ 108,912</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2017
(With Summarized Comparative Information for 2016)

Note 6 - Land, Building and Equipment

Land, building and equipment consist of the following:

	2017	2016
Land	\$ 92,159	\$ 92,159
Buildings	3,084,111	3,084,111
Building improvements	7,034,379	7,034,379
Equipment	965,252	911,749
Furniture and fixtures	178,573	176,214
Vehicles	2,333,849	2,130,206
Total land, building, and equipment	13,688,323	13,428,818
Less: accumulated depreciation	4,173,711	3,465,883
	<u>\$ 9,514,612</u>	<u>\$ 9,962,935</u>

Note 7 - Leases

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
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>\$ 114,504</u>	<u>\$ 3,526</u>	<u>\$ 118,030</u>

The assets acquired through the capital lease is as follows:

Vehicles	\$ 216,740
Less accumulated depreciation	<u>(105,360)</u>
	<u>\$ 111,380</u>

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Additionally, the Food Bank has several operating lease arrangements for equipment. Future lease obligations are as follows:

Years Ending September 30,	Total
2018	\$ 20,675
2019	20,675
2020	6,389
2021	4,610
2022	2,689
	\$ 55,038

Expenses associated with operating leases amounted to approximately \$ 17,850 for the years ended September 30, 2017 and 2016, respectively.

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, 2017 and 2016, the balance outstanding was \$ 0 and \$ 341,075, respectively.

Note 9 - Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows at September 30, 2017 and 2016:

	2017	2016
Hunger Solutions Center Construction	\$ 108,912	\$ 161,190
Donated services - nutritionist	-	75,000
Education of children	470,000	470,000
Program - general food/water distribution	575,489	514,463
Total	\$ 1,154,401	\$ 1,220,653

Time and purpose restrictions are described in Note 1.

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Temporarily restricted net assets, which were expended for their specified purpose during 2017 and 2016 consist of the following:

Donor/Program	2017	2016
State of Michigan	\$2,257,034	\$ 913,874
Kid's Café and Summer Foods	1,386,019	1,174,882
PepsiCo Foundation	602,908	192,092
Charles Stewart Mott Foundation	350,884	243,224
United Way of Genesee County	300,000	162,000
Food Bank Council of Michigan - Various Grants	287,969	251,527
Federal Emergency Management Agency (FEMA)	233,989	9,500
GISD - Head Start	198,430	221,526
SYI Genesee Chamber Foundation	135,816	161,607
Hurley Foundation	75,000	-
Coca-Cola Foundation	73,176	26,824
USDA - Food Handling	60,207	68,099
Various donors - capital campaign	54,096	291,262
Feeding America	21,574	4,303
Community Foundation of Southeastern Michigan	20,000	20,500
Grainger Foundation	17,548	22,452
Kaiser Foundation	17,033	7,844
Nickless Foundation	13,784	24,032
GM Foundation	13,376	1,887
Schroeder Foundation	11,954	-
Arthur G. Bishop Charitable Trust	10,000	-
Walmart Foundation	9,075	65,925
Wickson Link Memorial	5,000	12,500
Tuscola County	3,000	-
Novo Nordisk	3,000	7,000
Viola Bray	3,000	3,000
Boutell Foundation	2,590	-
Turner Trust	2,000	-
Sodexo Foundation	2,000	1,259
Chemical Bank	1,000	1,000
Michigan Dept of Agriculture & Rural Development	-	260,689
Ruth Mott Foundation	-	42,320
Merkley-Elderly Charitable Trust	-	10,000
PNC Foundation	-	10,000
Halo Burger	-	10,000
Dairy Council of Michigan	-	10,000
Abbvie Foundation	-	10,000
Loeb Trust	-	6,800
Community Foundation of Northeast Michigan	-	1,000
FCA Foundation	-	500
Total net assets released from restrictions	<u>\$6,171,462</u>	<u>\$4,249,428</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 \$ 198,776 and \$ 182,732 for 2017 and 2016, respectively.

Note 12 - Compensated Absences

Full time employees are eligible to earn and accumulate time off. During the first year of employment, a full time employee earns five days of paid time, after one year earns ten days of paid time, after two years earns 17 days of paid time, after five years earns 24 days of paid time, and after ten years the employee earns 25 days of paid time. A maximum of thirty days accumulated vacation time may be carried over to the next year. Employees are paid out for all accumulated time upon termination or retirement.

Accrued compensated absences recorded in accrued expenses on the statement of net position were \$ 144,432 and \$ 142,531 at September 30, 2017 and 2016, respectively.