

**Food Bank of
Eastern Michigan**

Financial Statements

**September 30, 2019
(With Summarized Comparative
Information for 2018)**



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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, 2019, 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, 2019, 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.

Adoption of New Accounting Standards

As described in Note 1 to the financial statements, Food Bank of Eastern Michigan changed its method of accounting for net assets in as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Food Bank of Eastern Michigan's September 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 9, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2020, 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 solely 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 the effectiveness of Food Bank of Eastern Michigan's 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
March 16, 2020

Food Bank of Eastern Michigan
Statement of Financial Position
September 30, 2019
(With Summarized Comparative Information for 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 289,942	\$ 218,994
Shared maintenance fees receivable	207,381	69,765
Grants and contributions receivable	449,019	528,857
Pledges receivable - current	351,345	-
Accounts receivable - other	-	50,257
Inventory	1,907,893	1,720,690
Total current assets	<u>3,205,580</u>	<u>2,588,563</u>
Non-current assets		
Investments	<u>2,477,628</u>	2,471,619
Land, buildings and equipment	13,892,823	13,846,673
Less: accumulated depreciation	<u>(5,787,644)</u>	<u>(4,979,845)</u>
Net land, building and equipment	<u>8,105,179</u>	8,866,828
Total non-current assets	<u>10,582,807</u>	11,338,447
Total assets	<u>\$ 13,788,387</u>	<u>\$ 13,927,010</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 776,466	\$ 498,207
Accrued expenses	337,166	273,229
Line of credit	380,000	400,000
Capital lease obligation	37,823	37,102
Deferred revenue	<u>1,308,728</u>	<u>1,337,031</u>
Total current liabilities	<u>2,840,183</u>	2,545,569
Non-current liabilities		
Capital lease obligation	<u>3,185</u>	41,007
Total liabilities	<u>2,843,368</u>	<u>2,586,576</u>
Net assets		
Without donor restrictions		
Undesignated	1,315,624	1,628,830
Invested in land, building, and equipment, net of related debt	<u>8,064,171</u>	<u>8,788,719</u>
Total without donor restrictions	<u>9,379,795</u>	<u>10,417,549</u>
With donor restrictions		
Purpose restrictions	1,213,879	922,885
Time-restricted for future periods	<u>351,345</u>	-
Total with donor restrictions	<u>1,565,224</u>	<u>922,885</u>
Total net assets	<u>10,945,019</u>	<u>11,340,434</u>
Total liabilities and net assets	<u>\$ 13,788,387</u>	<u>\$ 13,927,010</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Activities
For the Year Ended September 30, 2019
(With Summarized Comparative Information for 2018)

	2019	2018
<u>Change in Net Assets Without Donor Restrictions</u>		
Revenue		
Donated foods and goods	\$ 42,275,343	\$ 40,416,634
Shared maintenance	2,706,145	2,798,815
Loss on disposal of land, building, and equipment	-	(4,440)
United Way allocations	212,837	27,649
Contributions from the public	2,216,378	2,710,535
Investment income	30,816	191,232
Interest income - banks	-	3
Miscellaneous income	71,709	72,234
Total operating revenue	47,513,228	46,212,662
Net assets released from restrictions		
Satisfaction of program restrictions	5,184,908	6,252,992
Total	52,698,136	52,465,654
Expenses		
Program activities		
General distribution	52,504,121	52,888,460
Supporting activities		
Management and general	710,038	1,029,712
Fundraising	521,731	496,446
Total expenses	53,735,890	54,414,618
Change in unrestricted net assets	(1,037,754)	(1,948,964)
<u>Change in Net Assets With Donor Restrictions</u>		
Grants from governmental agencies	3,476,042	3,580,922
Bequests	351,345	-
Other grants	1,999,860	2,440,554
Net assets released from restrictions	(5,184,908)	(6,252,992)
Change in net assets with donor restrictions	642,339	(231,516)
Change in net assets	(395,415)	(2,180,480)
Net assets beginning of year		
Without donor restrictions	10,417,549	12,366,513
With donor restrictions	922,885	1,154,401
Total net assets - beginning of year	11,340,434	13,520,914
Net assets at the end of the year		
Without donor restrictions	9,379,795	10,417,549
With donor restrictions	1,565,224	922,885
Total net assets - end of year	\$ 10,945,019	\$ 11,340,434

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Functional Expenses
For the Year Ended September 30, 2019
(With Summarized Comparative Information for 2018)

	Program Services	Support Services		Total	
	General Distribution	Management and General	Fundraising	2019	2018
Expenses					
Salaries	\$ 2,375,197	\$ 415,273	\$ 290,030	\$ 3,080,500	\$ 3,141,163
Pension	168,526	29,933	20,679	219,138	233,571
Employee benefits	218,702	33,293	25,643	277,638	309,073
Payroll taxes	215,410	36,139	25,976	277,525	302,237
Total salaries and related expenses	<u>2,977,835</u>	<u>514,638</u>	<u>362,328</u>	<u>3,854,801</u>	<u>3,986,044</u>
Conferences, conventions and meetings	17,469	2,265	1,964	21,698	48,935
Contract services	127,537	16,538	14,336	158,411	225,015
Dues	56,198	7,287	6,317	69,802	63,606
Employee expense	28,668	3,717	3,223	35,608	4
Food	45,947,057	-	-	45,947,057	45,864,876
Insurance	101,750	13,194	11,438	126,382	120,905
Bad debt expense	-	-	-	-	101,210
Miscellaneous	161,365	20,925	18,138	200,428	181,679
Occupancy	297,921	38,632	33,489	370,042	492,444
Printing, postage and publications	111,942	14,516	12,583	139,041	164,936
Professional fees	28,908	3,749	3,249	35,906	41,365
Supplies	173,384	22,483	19,490	215,357	237,144
Support of other organizations	1,169,676	-	-	1,169,676	1,177,619
Telephone	17,166	2,226	1,930	21,322	20,182
Transportation	539,223	-	-	539,223	847,700
Total expenses before depreciation	<u>51,756,099</u>	<u>660,170</u>	<u>488,485</u>	<u>52,904,754</u>	<u>53,573,664</u>
Depreciation	<u>748,022</u>	<u>49,868</u>	<u>33,246</u>	<u>831,136</u>	<u>840,954</u>
Total expenses	<u>\$ 52,504,121</u>	<u>\$ 710,038</u>	<u>\$ 521,731</u>	<u>\$ 53,735,890</u>	<u>\$ 54,414,618</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Cash Flows
For the Year Ended September 30, 2019
(With Summarized Comparative Information for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (395,415)	\$ (2,180,480)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	831,136	840,954
Loss on disposal of fixed assets	-	4,440
Unrealized gain on investments	(12,482)	(59,049)
Realized gain on investments	21,101	(81,712)
Receivables written off	-	101,210
Change in present value of pledges receivable	-	(2,798)
(Increase) decrease in assets:		
Shared maintenance receivable	(137,616)	146,549
Grants receivable	130,095	380,349
Pledges receivable	(351,345)	111,710
Inventory	(187,203)	685,875
Increase (decrease) in liabilities:		
Accounts payable	278,259	(308,471)
Accrued expenses	63,937	(45,849)
Deferred revenue	(28,303)	238,070
Net cash provided (used) by operating activities	<u>212,164</u>	<u>(169,202)</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,302,037	630,879
Purchase of investments	(1,316,665)	(531,351)
Purchase of fixed assets	(69,486)	(197,610)
Net cash used by investing activities	<u>(84,114)</u>	<u>(98,082)</u>
Cash flows from financing activities		
Payments on line of credit	(20,000)	-
Proceeds from line of credit	-	400,000
Payments on capital lease obligation	(37,102)	(36,395)
Net cash provided (used) by financing activities	<u>(57,102)</u>	<u>363,605</u>
Net change in cash and cash equivalents	70,948	96,321
Cash and cash equivalents - beginning of period	<u>218,994</u>	<u>122,673</u>
Cash and cash equivalents - end of period	<u>\$ 289,942</u>	<u>\$ 218,994</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 24,271</u>	<u>\$ 2,585</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2019
(With Summarized Comparative Information for 2018)

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 Accounting

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

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Food Bank records donor restricted cash contributions that are received and expended in the same year as revenue with donor 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
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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, 2019, the deposits were reflected in the accounts of financial institutions at \$ 310,075, of which \$60,075 is not 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, 2019 and 2018 were \$ 0 and \$ 101,210, respectively.

During 2019, the Food Bank received a grant that is a conditional promise of \$206,250 as of year end. The grant is contingent upon spending the funds for the designated allowable purpose and the related compliance requirements. There were no conditional contributions for 2018.

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 a contribution without donor restrictions. Upon distribution, the food is recorded as a decrease in net assets without donor restrictions 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.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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, 2019 and 2018, 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 program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on actual time spent in each functional classification and/or charged directly to functional classifications based on their nature for all expenses except depreciation, which is allocated based on square footage.

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 2018, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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(With Summarized Comparative Information for 2018)

Subsequent Events

Management has evaluated subsequent events through March 16, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. This change affected the terminology of the restriction levels only; no amounts were changed as a result of applying the accounting principle.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 289,942
Shared maintenance receivable	207,381
Grants and contributions receivable	449,019
Pledges receivable - current	351,345
Investments	<u>2,477,628</u>
 Total financial assets - end of year	 \$ 3,775,315
 Less: Financial assets unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(1,565,224)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 2,210,091</u>

The Organization does not have a policy to maintain a particular amount of days of operating expenses as liquid assets. The Organization is substantially supported by grant revenues and other fees that renew annually, charged regularly, and/or are received on a frequent basis throughout the year. As such, the future cash needs of the Organization are substantially met by these receipts, which are received at approximately the same time as expenses are incurred. Additionally, the Organization has an available line of credit to help manage liquidity issues, should they arise.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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Note 3 – Inventory

Activities of donated food inventory are summarized as follows:

	2019		2018	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	486,466	\$ 817,586	979,888	\$ 1,695,206
Add water adjustment	73,207	6,589		
Pounds received	19,372,438	31,383,351	18,485,496	31,055,632
Pounds distributed	(18,526,205)	(30,012,452)	(19,739,607)	(33,162,540)
Net adjustments	121,588	279,466	1,544,438	2,545,986
Pounds destroyed	(704,890)	(1,141,922)	(783,749)	(1,316,698)
Ending inventory	<u>822,604</u>	<u>\$ 1,332,618</u>	<u>486,466</u>	<u>\$ 817,586</u>

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

	2019		2018	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	451,047	\$ 708,141	262,544	\$ 399,067
Pounds received	7,183,560	10,919,012	3,211,832	5,042,574
Pounds distributed	(7,165,783)	(10,891,992)	(2,878,227)	(4,518,816)
Net adjustments	(170,807)	(282,178)	(145,102)	(214,684)
Ending inventory	<u>298,017</u>	<u>\$ 452,983</u>	<u>451,047</u>	<u>\$ 708,141</u>

The estimated value of USDA food for 2019 and 2018 was \$ 1.52 and \$ 1.57 per pound, respectively. The estimated value of other donated food for 2019 and 2018 was \$ 1.62 and \$ 1.68 per pound, respectively.

Food Bank of Eastern Michigan
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During 2016, the Food Bank became involved in distributing water as a result of the Flint water crisis. This activity is presented separately below for 2018, as the results would be significantly skewed by valuing the water at the average donated price per pound. The estimated value of donated water for 2018 was \$.09 per pound. During 2019, water distribution did not represent a proportionately large enough item to skew financial results by valuing at the average donated price per pound; therefore, water activity is included in the donated food results for 2019.

	2018	
	Pounds	Dollar Value
Beginning inventory	583,027	\$ 69,963
Pounds received	53,802,067	4,842,186
Pounds distributed	(54,192,262)	(4,877,304)
Net adjustments	(119,625)	(28,256)
Ending inventory	73,207	\$ 6,589

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

	2019		2018	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	349,082	\$ 188,374	453,849	\$ 242,329
Pounds received	5,331,108	3,907,810	5,874,691	3,253,018
Pounds distributed	(5,488,899)	(3,973,828)	(5,978,108)	(3,306,216)
Pounds destroyed	(107)	(64)	(1,350)	(757)
Ending inventory	191,184	\$ 122,292	349,082	\$ 188,374

Net adjustments in the tables above consist of various transactions that were not actual receipts or disbursements of product. These include item number changes, product transformation (bulk items received are transformed into many smaller items for distribution, adding packaging weight), and the change in price per pound of donated food from the prior year to the current year.

Purchased food is valued at purchase price.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2019
(With Summarized Comparative Information for 2018)

Note 4 – Investments

Investments are stated at fair value and are summarized as of September 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 392,081	\$ 119,160
Mutual funds	148,488	325,349
Fixed income and equities	<u>1,937,059</u>	<u>2,027,110</u>
	<u>\$ 2,477,628</u>	<u>\$ 2,471,619</u>

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

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 10,071	\$ 53,712
Fixed income and equities	<u>642,443</u>	<u>458,965</u>
	<u>\$ 652,514</u>	<u>\$ 512,677</u>

Investment return is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 57,359	\$ 68,171
Realized gain (loss) on investments	(21,101)	81,712
Unrealized gain on investments	12,482	59,049
Investment advisory fees	<u>(17,924)</u>	<u>(17,700)</u>
	<u>\$ 30,816</u>	<u>\$ 191,232</u>

Note 5 – 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:

Food Bank of Eastern Michigan
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September 30, 2019
(With Summarized Comparative Information for 2018)

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.

The following table segregates all financial assets and liabilities as of September 30, 2019 and 2018 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, 2019</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 148,488	\$ 148,488	\$ -	\$ -
Fixed income & equities	<u>1,937,059</u>	<u>1,937,059</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,085,547</u>	<u>\$ 2,085,547</u>	<u>\$ -</u>	<u>\$ -</u>

<u>September 30, 2018</u>	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	\$ 325,349	\$ 325,349	\$ -	\$ -
Fixed income & equities	<u>2,027,110</u>	<u>2,027,110</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,352,459</u>	<u>\$ 2,352,459</u>	<u>\$ -</u>	<u>\$ -</u>

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Note 6 – Land, Building and Equipment

Land, building and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 92,159	\$ 92,159
Buildings	3,084,111	3,084,111
Building improvements	7,034,379	7,034,379
Equipment	1,084,011	1,037,861
Furniture and fixtures	178,573	178,573
Vehicles	<u>2,419,590</u>	<u>2,419,590</u>
Total land, building, and equipment	13,892,823	13,846,673
Less: accumulated depreciation	<u>5,787,644</u>	<u>4,979,845</u>
	<u>\$ 8,105,179</u>	<u>\$ 8,866,828</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:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 37,823	\$ 457	\$ 38,280
2021	3,185	5	3,190
	<u>\$ 41,008</u>	<u>\$ 462</u>	<u>\$ 41,470</u>

The assets acquired through the capital lease is as follows:

Vehicles	\$ 216,740
Less accumulated depreciation	<u>(177,606)</u>
	<u>\$ 39,134</u>

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

<u>Years Ending September 30,</u>	<u>Total</u>
2020	\$ 6,389
2021	4,610
2022	<u>2,689</u>
	<u>\$ 13,688</u>

Expenses associated with operating leases amounted to approximately \$ 10,555 and \$ 65,141 for the years ended September 30, 2019 and 2018, respectively.

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Note 8 – Line of Credit

The Food Bank has a \$ 750,000 revolving line of credit that is due on demand and is collateralized by investments held at the same financial institution. The interest rate is variable, and was 4.5 percent as of September 30, 2019. As of September 30, 2019 and 2018, the balance outstanding was \$ 380,000 and \$ 400,000, respectively.

Note 9 – 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 \$ 126,034 and \$ 123,650 at September 30, 2019 and 2018, respectively.

Note 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time-restricted	\$ 351,345	\$ -
Purpose-restricted:		
Education of children	470,000	470,000
Program - general food/water distribution	<u>743,879</u>	<u>452,885</u>
Total	<u>\$ 1,565,224</u>	<u>\$ 922,885</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Expiration of time restrictions	\$ -	\$ 108,912
Satisfaction of purpose restrictions		
Food distribution programs	<u>5,184,908</u>	<u>6,144,080</u>
Total net assets released from restrictions	<u>\$ 5,184,908</u>	<u>\$ 6,252,992</u>

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Note 11 – 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 12 – 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 \$ 219,199 and \$ 233,571 for 2019 and 2018, respectively.

Note 13 – Subsequent Events

As result of the global coronavirus pandemic of 2020, many organizations' financial picture has seen an unanticipated change. The duration and full effects of the outbreak are currently unknown, as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on our organization as of the date of management's review is as follows:

Investments – The stock market has experienced significant, double digit percentage declines and extreme volatility over the past several weeks leading up to the report date. The Organization's investment performance is expected to be similar to the S&P 500's performance over the same period. The Organization currently has no immediate plans to liquidate investments and remains focused on long term appreciation.