

Audited Financial Statements

Feeding America West Michigan

*Year Ended December 31, 2017  
with Report of Independent Auditors  
and Summarized Comparative  
Financial Information for the  
Year Ended December 31, 2016*

Feeding America West Michigan

Audited Financial Statements

Year Ended December 31, 2017

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## Report of Independent Auditors

Board of Directors  
Feeding America West Michigan  
Comstock Park, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Feeding America West Michigan, which comprise the statement of financial position as of December 31, 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 audit. We conducted our audit 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 auditor's 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 Feeding America West Michigan as of December 31, 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 Feeding America West Michigan's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 April 12, 2018 on our consideration of Feeding America West 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 the 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 Feeding America West Michigan's internal control over financial reporting and compliance.

*Andrews Hooper Pavlik PLC*

Grand Rapids, Michigan  
April 12, 2018

# Feeding America West Michigan

## Statements of Financial Position

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 889,253	\$ 1,323,671
Investments	-	164,381
Accounts receivable, net of allowance of \$1,500 for 2017 and \$800 for 2016	422,963	310,872
Pledges receivable	158,136	206,870
Prepaid expenses	25,260	61,255
Inventory, at donated value	4,692,729	3,250,935
Inventory, at purchased cost	322,901	305,920
Beneficial interest in perpetual endowment	843,436	749,953
Property and equipment, net	2,859,404	3,108,490
Total assets	<b>\$ 10,214,082</b>	<b>\$ 9,482,347</b>
<b>Liabilities and net assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 225,480	\$ 294,945
Accrued expenses	142,871	178,056
Capital lease obligation	22,173	27,716
Long-term debt	230,650	249,741
Total liabilities	<b>621,174</b>	<b>750,458</b>
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	7,741,265	7,020,269
Board designated	-	25,917
Temporarily restricted	1,342,345	1,212,728
Permanently restricted	509,298	472,975
Total net assets	<b>9,592,908</b>	<b>8,731,889</b>
Total liabilities and net assets	<b>\$ 10,214,082</b>	<b>\$ 9,482,347</b>

# Feeding America West Michigan

## Statement of Activities

Year Ended December 31, 2017  
(with Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2017	2016
<b>Revenue and Public Support</b>					
Administrative fees charged to agencies, including \$984,392 in donations applied to agency accounts in 2017 and \$918,471 in 2016	\$ 2,013,903	\$ -	\$ -	\$ 2,013,903	\$ 2,312,906
Administrative fees charged to agencies on purchased products, net of cost of \$1,612,244 in 2017 and \$1,653,687 in 2016	537,245	-	-	537,245	512,314
Federal emergency management agency Contributions	1,588,549	85,990	10,406	85,990	98,675
Special events, net of expense of \$45,277 in 2016	-	-	-	2,702,556	2,522,659
United Way	412	-	-	-	551
Food Bank Council of Michigan	335,657	-	-	412	13,351
In-kind contributions of equipment and expenses	34,186	-	-	335,657	327,665
Interest and dividend income	1,837	15,357	-	34,186	81,186
Unrealized gain on perpetual endowment	-	78,126	-	17,194	7,684
Gain (loss) on sale of property and equipment	5,583	-	-	78,126	51,875
Miscellaneous income	44,103	-	-	5,583	(18,485)
	4,561,475	1,283,074	10,406	44,103	42,716
	5,689,015	1,283,074	10,406	5,854,955	5,953,097
Reclassification of net assets:					
Net assets released from restriction	1,153,457	(1,153,457)	-	-	-
Transfer to endowment	(25,917)	-	25,917	-	-
Total revenue and public support	5,689,015	129,617	36,323	5,854,955	5,953,097
<b>Expenses</b>					
Program services	5,284,868	-	-	5,284,868	5,101,380
Support services:					
Management and general	440,281	-	-	440,281	449,486
Fundraising	710,581	-	-	710,581	572,224
Total expenses	6,435,730	-	-	6,435,730	6,123,090
Change in net assets prior to products donated, culled, and distributed	(746,715)	129,617	36,323	(580,775)	(169,993)
Products donated, culled, and distributed:					
In-kind product donations	43,939,919	-	-	43,939,919	41,633,390
Less: value of products culled and distributed	42,498,125	-	-	42,498,125	41,717,995
Excess (deficiency) of products donated over distributed	1,441,794	-	-	1,441,794	(84,605)
Change in net assets	695,079	129,617	36,323	861,019	(254,598)
Net assets - beginning of year	7,046,186	1,212,728	472,975	8,731,889	8,986,487
Net assets - end of year	\$ 7,741,265	\$ 1,342,345	\$ 509,298	\$ 9,592,908	\$ 8,731,889

See accompanying notes.

# Feeding America West Michigan

## Statement of Functional Expenses

Year Ended December 31, 2017  
(with Comparative Totals for 2016)

	Program Services	Support Services		Totals	
		Management and General	Fund- raising	2017	2016
Compensation and related expenses:					
Salaries and wages	\$ 1,780,677	\$ 265,753	\$ 201,900	\$ 2,248,330	\$ 2,237,768
Payroll taxes	141,606	21,134	16,057	178,797	170,600
Health and life insurance	363,632	54,269	41,230	459,131	459,036
Pension	92,530	13,808	10,491	116,829	113,708
Total compensation and related expenses	2,378,445	354,964	269,678	3,003,087	2,981,112
Conferences and travel	23,976	2,821	1,410	28,207	67,977
Contractual services	24,878	24,878	24,877	74,633	56,601
Depreciation	280,897	7,392	7,392	295,681	304,601
Direct marketing	-	-	290,174	290,174	282,287
Dues, fees, and subscriptions	103,413	-	-	103,413	92,449
Equipment and improvements	92,678	-	-	92,678	92,308
Food and storage costs	114,921	-	-	114,921	57,049
Freight in	123,466	-	-	123,466	105,096
Insurance – property and casualty	76,340	2,009	2,009	80,358	79,016
Insurance – workers compensation	49,635	7,408	5,627	62,670	57,503
Interest	9,761	-	-	9,761	10,328
Maintenance	77,435	-	-	77,435	101,231
Office and operating supplies	110,067	12,949	6,475	129,491	108,329
Printing and promotion	12,420	12,420	99,364	124,204	71,471
Rent	47,012	-	-	47,012	53,863
Rubbish removal	65,791	-	-	65,791	50,487
Donations applied to agency accounts	984,392	-	-	984,392	918,471
Telephone	24,825	784	523	26,132	25,099
Travel and truck expense	568,576	11,604	-	580,180	488,572
Utilities	115,940	3,052	3,052	122,044	119,240
Total expenses	\$ 5,284,868	\$ 440,281	\$ 710,581	\$ 6,435,730	\$ 6,123,090

# Feeding America West Michigan

## Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Change in net assets	\$ 861,019	\$ (254,598)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	295,681	304,601
Loss (gain) on sale of property and equipment	(5,583)	18,485
Change in beneficial interest in perpetual endowment	(93,483)	(54,809)
Contribution revenue for endowment	(10,406)	-
Change in operating assets and liabilities:		
Accounts receivable	(112,091)	145,472
Pledges receivable	48,734	(125,250)
Prepaid expenses	35,995	56
Inventory	(1,458,775)	133,954
Accounts payable	(69,465)	86,673
Accrued expenses	(35,185)	(7,673)
Net cash from operating activities	(543,559)	246,911
<b>Investing activities</b>		
Purchase of property and equipment	(72,386)	(161,144)
Purchase of investments	-	(3,520)
Proceeds from sale of investments	164,381	-
Proceeds from sale of property and equipment	31,374	3,250
Net cash from investing activities	123,369	(161,414)
<b>Financing activities</b>		
Payments on long-term debt	(19,091)	(19,675)
Payments on capital lease obligation	(5,543)	-
Proceeds from contributions restricted for endowment	10,406	-
Net cash from financing activities	(14,228)	(19,675)
Net change in cash and cash equivalents	(434,418)	65,822
Cash and cash equivalents at beginning of year	1,323,671	1,257,849
Cash and cash equivalents at end of year	\$ 889,253	\$ 1,323,671
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 9,761	\$ 10,328
In-kind contributions reflected as revenues, capital assets, and expenses	34,186	81,186
<b>Non-cash activities:</b>		
Capital lease on new equipment	\$ -	\$ 27,716

See accompanying notes.



# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Nature of Operations**

Feeding America West Michigan (Feeding America), formerly known as Feeding America West Michigan Food Bank, is incorporated as a not-for-profit organization. Feeding America receives donations of food from farmers, wholesalers, food processors and stores, and distributes such food to social and religious agencies upon a normal administrative fee charged to agencies of up to 18 cents per pound depending on the type of product. In addition to the administrative fee charged, Feeding America receives donations and grants from individuals; social, business and community groups; and governmental agencies.

#### **Method of Accounting**

The records of Feeding America are maintained on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

#### **Financial Statement Presentation and Net Asset Classification**

Feeding America reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

*Unrestricted net assets* are not restricted by donors, or the donor-imposed restrictions have expired.

*Temporarily restricted net assets* contain donor restrictions that permit Feeding America to use or expend the assets as specified.

*Permanently restricted net assets* contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit Feeding America to use or expend part or all of the income derived from the donated assets for specific purposes.

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Feeding America utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, Feeding America is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Fair Value Measurements (continued)**

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

#### **Cash and Cash Equivalents**

Feeding America considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

#### **Concentration of Credit Risk**

Feeding America maintains cash balances in checking and savings accounts at several financial institutions. The checking and savings accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, Feeding America may have cash in an account in excess of the federally insured limit. As of December 31, 2017, there was cash in excess of the federally insured limit of approximately \$346,600.

#### **Investments**

Feeding America held a deferred annuity investment with an insurance company, which was recorded at fair value, and matured during 2017.

#### **Accounts Receivable**

Feeding America grants credit in the normal course of business to its agencies. Ongoing credit evaluations of customers' financial condition are conducted and, generally, no collateral is required. Accounts receivable are stated at the amount management expects to collect on outstanding balances. Feeding America provides for possible uncollectible amounts through a valuation

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Accounts Receivable (continued)**

allowance that is determined based on management's assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off.

#### **Pledges Receivable**

Unconditional pledges receivable are recognized as revenue in the period promised and as assets, decreases in liabilities, or expenses depending on the form of the benefits to be received. Unconditional pledges receivable are stated at the amount management expects to collect on outstanding balances. Management provides for probable uncollectible amounts through a valuation allowance based on management's assessment of the current status of individual accounts. When balances are deemed uncollectible they are written off. No allowance was deemed necessary for the years ended December 31, 2017 or 2016.

#### **Inventory**

Inventory consists of both purchased and donated food items. Purchased inventory is stated at cost using the first in, first out method to determine cost. Donated inventory is stated at a standard per pound value based on an independent survey performed by a national accounting firm. In addition, Feeding America receives United States Department of Agriculture (USDA) commodities donations. The USDA items in inventory as of December 31, 2017 are valued based on the food only amount per pound determined by the independent survey and the USDA items in inventory as of December 31, 2016.

#### **Property and Equipment**

Property and equipment are carried at cost and depreciated using the straight-line method over the estimated useful lives, ranging from five to forty years. Feeding America capitalizes all expenditures for property and equipment in excess of \$5,000.

Donations of property and equipment are recorded 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 temporarily restricted. Absent donor stipulations regarding how long those donated assets must be maintained, Feeding America reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Feeding America reclassifies temporarily restricted net assets to unrestricted net assets at that time.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

#### **Functional Expenses**

The costs to provide the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services by function. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of Feeding America.

#### **Donated Services**

Donated services are recognized as contributions in accordance with generally accepted accounting principles (U.S. GAAP), if the services either create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by Feeding America. Unaudited records indicate that 25,649 hours of donated non-specialized services were provided to Feeding America in 2017 and 24,371 hours in 2016.

#### **Income Taxes**

Feeding America is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Feeding America evaluates tax positions taken on its Federal Exempt Organization Business Income Tax Returns in accordance with U.S. GAAP. Management believes that Feeding America has no significant unrecognized tax benefits under those criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **1. Nature of Operations and Summary of Significant Accounting Policies (continued)**

#### **Income Taxes (continued)**

Generally, tax years from 2014 through the current year remain open to examination. Management does not believe that the results from any examination of these open years would have a material adverse effect on Feeding America.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Reclassification**

Certain amounts from 2016 have been reclassified to conform with the 2017 presentation.

#### **Subsequent Events**

Management has evaluated subsequent events for potential recognition or disclosure in the financial statements through April 12, 2018, which is the date the financial statements were available to be issued.

#### **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Feeding America's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

### **2. Pledges Receivable**

Pledges receivable of \$158,136 as of December 31, 2017 are due in 2018.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### **3. Donated Food Product**

The value of the USDA food commodities and grant money received from the Federal Emergency Management Agency surpasses the threshold of federal financial assistance which requires the performance of an audit in accordance with Uniform Grant Guidance. Accordingly, Feeding America recorded the value of donated commodities received and distributed and culled. During the year ended December 31, 2017 all USDA commodities distributed were valued at an average food only per pound price of \$1.52 and during the year ended December 31, 2016 they were valued at average per pound prices suggested by the USDA for each particular kind of product, which was determined to be \$0.61. All other donated commodities recorded in inventory and in-kind product donations were valued at an average per pound price of \$1.73 in 2017 and \$1.67 in 2016. The average price per pound for all 2017 product and only for other donated commodities in 2016 was determined by the results of an independent survey performed by a national accounting firm, solely to assist in determining the approximate average wholesale value of one pound of donated product at the national level for each year.

### **4. Beneficial Interest in Perpetual Endowment Fund**

Feeding America is the beneficiary under an agency endowment agreement administered by the Grand Rapids Community Foundation (Foundation), named the John Arnold Endowment Fund. Under this agreement, Feeding America is entitled to the earnings from the assets in perpetuity, but has no right to the principal. The fair market value of the underlying investment is recorded in Feeding America's statements of financial position. On an annual basis, the asset is revalued based on the changes in market value. This revaluation is treated as temporarily restricted in the statement of activities. Distributions from the Foundation are recorded as contributions on the statement of activities. The fair market value was \$843,436 as of December 31, 2017 and \$749,953 as of December 31, 2016, including a spendable portion of \$216,134 as of December 31, 2017 and \$182,916 as of December 31, 2016 that is available upon request.

In addition to Feeding America's gifts to the Foundation's John Arnold Endowment Fund (Fund), individual donations have been made directly to the Fund. The Foundation confirms that the total market value of the donor portion of the Fund was \$177,944 as of December 31, 2017 and \$158,135 as of December 31, 2016, including a spendable portion of \$49,297 as of December 31, 2017 and \$42,292 as of December 31, 2016 that is available upon request. The Foundation was given variance power, which gives the Foundation the ability to control the use of the transferred assets. Therefore, in accordance with accounting principles, the market value of these gifts is not reported as an asset on Feeding America's financial statements.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### 5. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2017	2016
Land	\$ 501,750	\$ 500,000
Land improvements	31,870	31,870
Building	3,407,453	3,391,946
Furniture, equipment, and delivery vehicles	1,922,856	1,937,745
	5,863,929	5,861,561
Accumulated depreciation	(3,004,525)	(2,753,071)
Property and equipment, net	\$ 2,859,404	\$ 3,108,490

### 6. Fair Value Measurement

Assets measured at fair value on a recurring basis were comprised of the following as of December 31:

	Fair Value	Level 1 Based on Quoted Prices in Active Markets	Level 3 Significant Unobservable Inputs
<b>2017</b>			
Beneficial interest in perpetual endowment	\$ 843,436	\$ -	\$ 843,436
<b>2016</b>			
Deferred annuities	\$ 164,381	\$ 164,381	\$ -
Beneficial interest in perpetual endowment	749,953	-	749,953
Total	\$ 914,334	\$ 164,381	\$ 749,953

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### 6. Fair Value Measurement (continued)

Changes in Level 3 assets measured at fair value on a recurring basis:

Balance as of January 1, 2016	\$ 695,144
Total gains or losses (realized/unrealized) included in net investment income	60,893
Purchases, issuance, and settlements	-
Net transfers in/out of Level 3	<u>(6,084)</u>
Balance as of December 31, 2016	749,953
Total gains or losses (realized/unrealized) included in net investment income	101,849
Purchases, issuance, and settlements	-
Net transfers in/out of Level 3	<u>(8,366)</u>
Balance as of December 31, 2017	<u><u>\$ 843,436</u></u>

### 7. Long-Term Debt

Feeding America holds a mortgage note payable with a bank related to an operating facility in Cadillac. Through February 2017, the mortgage required monthly payments of \$2,319 including interest at 3.1%. Effective March 6, 2017, the mortgage was refinanced and requires monthly payments of \$2,421 including interest at 4.2%. The note matures on September 6, 2027. The note is collateralized with the land and building in Cadillac. The balance was \$230,650 as of December 31, 2017 and \$249,741 as of December 31, 2016.

Future maturities of long-term debt are as follows:

<b>Year Ending December 31</b>	<b>Amount</b>
2018	\$ 19,750
2019	20,596
2020	21,478
2021	22,398
2022	23,357
Thereafter	<u>123,071</u>
	<u><u>\$ 230,650</u></u>



# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### 8. Restriction on Net Assets

Restrictions on net assets were as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Board designated net assets consisted of the following:		
Endowment designated cash	\$ -	\$ 25,917
Temporarily restricted net assets consisted of the following:		
Donor restricted contributions to be applied to agencies	\$ 563,755	\$ 670,350
Donor restricted funds for future use	408,129	265,400
Endowment earnings – future program	370,461	276,978
	<u>\$ 1,342,345</u>	<u>\$ 1,212,728</u>
Permanently restricted net assets consisted of the following:		
John Arnold Endowment Fund held at Community Foundation	\$ 472,975	\$ 472,975
Cash to be remitted to John Arnold Endowment Fund	36,323	-
	<u>\$ 509,298</u>	<u>\$ 472,975</u>

### 9. Endowment Funds

The board established an endowment fund in the name of its former executive director, John M. Arnold. Gifts that were explicitly restricted by the donor for the endowment fund are classified as permanently restricted net assets. Feeding America has a specific dollar goal for the John Arnold Endowment Fund of \$15,000,000 for the purpose of generating annual operating revenue for Feeding America to prevent Feeding America from shifting its focus from food distribution to fundraising.

To achieve that objective, Feeding America has adopted a policy of investing endowment fund assets with the Grand Rapids Community Foundation (Foundation). The assets delivered to the Foundation constitute irrevocable gifts, so that whether the donor intent of the assets is unrestricted, temporarily restricted or permanently restricted, upon receipt by the Foundation all assets so gifted are classified as permanently restricted net assets. The Foundation assets are invested in well-diversified and managed asset mixes that are intended to result in a consistent inflation-projected rate of return that has sufficient liquidity to make periodic distributions while growing the fund, if possible.

Donor-restricted assets are deposited temporarily in a separate bank account and transferred periodically to the foundation. As of December 31, 2017, there was \$36,323 held in cash and recorded as permanently restricted. This balance consisted of the December 31, 2016 board designated assets of \$25,917 and \$10,406 of 2017 donor restricted contributions to the endowment.

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### 9. Endowment Funds (continued)

Endowment net asset composition by type of fund was as follows as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>2017</b>				
John Arnold endowment fund	\$ -	\$ 370,461	\$ 509,298	\$ 879,759
<b>2016</b>				
John Arnold endowment fund	\$ -	\$ 276,978	\$ 472,975	\$ 749,953
Board-designated fund	25,917	-	-	25,917
Total endowment funds	\$ 25,917	\$ 276,978	\$ 472,975	\$ 775,870

Changes in endowment net assets for the years ended December 31, 2017 and 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2016	\$ 4,304	\$ 222,169	\$ 472,975	\$ 699,448
Contributions	21,613	-	-	21,613
Investment income	-	2,934	-	2,934
Unrealized/realized loss on investments	-	57,959	-	57,959
Investment expenses	6,084	(6,084)	-	-
Reclassification of funds	(6,084)	-	-	(6,084)
Endowment net assets, December 31, 2016	25,917	276,978	472,975	775,870
Contributions	-	-	10,406	10,406
Transfer to endowment	(25,917)	-	25,917	-
Investment income	-	15,357	-	15,357
Unrealized/realized gain on investments	-	86,492	-	86,492
Investment expenses	8,366	(8,366)	-	-
Reclassification of funds	(8,366)	-	-	(8,366)
Endowment net assets, December 31, 2017	\$ -	\$ 370,461	\$ 509,298	\$ 879,759

# Feeding America West Michigan

## Notes to Financial Statements

December 31, 2017

### 10. Related Party Transactions

Feeding America paid approximately \$339,700 for trucking services and leases during the year ended December 31, 2017 and \$398,000 during the year ended December 31, 2016 to a company whose president is a member of Feeding America's Board of Directors. Feeding America also had administrative fees charged to agencies revenue of \$125,500 from an agency where the Executive Director of Feeding America is a member of the agency's oversight board.

### 11. Defined Contribution 403(b) Plan

Feeding America has a defined contribution 403(b) plan for all employees who meet the eligibility requirements. All accrued retirement plan expenses are fully funded and paid to a third-party trustee on a quarterly basis. Retirement plan expense was approximately \$116,800 for the year ended December 31, 2017 and \$113,700 for the year ended December 31, 2016.

### 12. Operating Leases

Feeding America leases business premises in Benton Harbor under a 7-year lease which began on March 1, 2010. Upon maturity in February 2017, the lease automatically renews for up to 20 additional one-year terms. The lease requires monthly payments of \$3,000 per month, plus expenses. The lease includes an annual increase based on the consumer price index on each March 1 beginning with the first renewal term. Rent payments under this lease totaled approximately \$47,000 for the years ended December 31, 2017 and 2016.

Feeding America currently has non-cancelable operating leases for equipment that expire on various dates through March 2020. Total rental expenses for these equipment leases were approximately \$26,200 and \$50,600 for the years ended December 31, 2017 and 2016.

Future minimum lease payments are approximately as follows:

<b>Year Ending December 31</b>	<b>Amount</b>
2018	\$ 7,000
2019	4,800
2020	1,200

# Feeding America West Michigan

## Notes to Financial Statements

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### 13. Capital Leases

Equipment under capital leases consists of a forklift with a capitalized cost of \$25,542. Accumulated depreciation in the statement of financial position included \$3,953 relating to this leased forklift. Depreciation expense reported in the statement of activities includes \$3,649 for the equipment under capital lease. The lease includes a \$1 purchase option at the end of the lease period. The capital lease obligation as of December 31, 2017 was \$22,173, including interest. Future minimum lease payments are as follows:

<b>Year Ending December 31</b>	<b>Amount</b>
2018	\$ 5,543
2019	5,543
2020	5,543
2021	5,544
	<u>\$ 22,173</u>

The imputed interest necessary to reduce the net minimum lease payments to present value is considered immaterial.