

**FEEDING AMERICA
WEST MICHIGAN FOOD BANK**

Financial Statements

For the year ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

April 23, 2014

To the Board of Directors
Feeding America West Michigan Food Bank
Comstock Park, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Feeding America West Michigan Food Bank, which comprise the statement of financial position as of December 31, 2013, 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.

Auditor's 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 *Governmental 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 Food Bank as of December 31, 2013, 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 the Feeding America West Michigan Food Bank's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 23, 2014, on our consideration of Feeding America West Michigan Food Bank'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 Feeding America West Michigan Food Bank's internal control over financial reporting and compliance.



Certified Public Accountants

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

FEEDING AMERICA WEST MICHIGAN FOOD BANK

December 31, 2013 and 2012

ASSETS

	2013	2012
Assets		
Cash and cash equivalents	\$ 1,216,718	\$ 1,053,488
Investments	154,744	404,870
Accounts receivable, net of allowance of \$5,125 for 2013 and 2012	354,920	408,211
Pledges receivable	124,000	
Prepaid expenses	30,910	19,170
Inventory, at donated value	3,228,210	3,133,980
Inventory purchased, at cost	294,156	158,137
Beneficial interest in perpetual endowment	669,423	535,031
Property and equipment	5,431,979	5,208,873
Accumulated depreciation	(2,082,378)	(1,972,236)
Total Assets	\$ 9,422,682	\$ 8,949,524

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 274,523	\$ 120,430
Accrued expenses	174,001	230,342
Long term debt	307,020	322,518

Total Liabilities	755,544	673,290
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Net Assets

Unrestricted:		
Undesignated	7,024,772	7,008,084
Board designated - quasi endowment fund	7,630	36,092
Temporarily restricted	1,199,261	838,583
Permanently restricted	435,475	393,475

Total Net Assets	8,667,138	8,276,234
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Total Liabilities and Net Assets	\$ 9,422,682	\$ 8,949,524
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See notes to financial statements.

STATEMENTS OF ACTIVITIES

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

With comparative totals for 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue and Public Support			
Shared maintenance, including \$888,781 and \$925,153 charged to grants for 2013 and 2012	\$ 2,290,420		
Shared maintenance purchased products, net of cost \$1,574,613 and \$1,378,949 for 2013 and 2012	344,184		
Federal emergency management agency Contributions	65,152		
Special events, net of expense \$28,225 and \$27,263 for 2013 and 2012	1,319,706	\$ 1,496,800	\$ 42,000
United Way	36,283		
Food Bank Council of Michigan	9,050		
In-kind contributions of equipment and expenses	428,243		
Unrealized loss on investments	110,694		
Interest and dividend income	(418)		
Unrealized gain on perpetual endowment	3,509		
Gain on sale of property and equipment		92,393	
Miscellaneous income	24,113		
	35,049		
	4,665,985	1,589,193	42,000
Reclassification of net assets: Net assets released from restriction	1,228,515	(1,228,515)	
Total Revenue and Public Support	5,894,500	360,678	42,000
Expenses			
Program services	5,229,419		
Supporting services: Management and general	367,470		
Fundraising expenses	402,835		
Total Expenses	5,999,724		
Products Donated, Culled and Distributed			
In-kind product donations	38,055,974		
Value of products culled and distributed	37,962,524		
Excess (Deficiency) of Products Donated Over Distributed	93,450		
Change in Net Assets	(11,774)	360,678	42,000
Net Assets - beginning of year	7,044,176	838,583	393,475
Net Assets - end of year	\$ 7,032,402	\$ 1,199,261	\$ 435,475

See notes to financial statements.

Totals	
2013	2012
\$ 2,290,420	\$ 2,296,623
344,184	310,316
65,152	1,145
2,858,506	2,358,347
36,283	61,091
9,050	12,435
428,243	508,581
110,694	65,908
(418)	(1,557)
3,509	11,576
92,393	50,659
24,113	5,463
35,049	25,111
6,297,178	5,705,698
<hr/>	
6,297,178	5,705,698
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5,229,419	4,932,573
367,470	385,281
402,835	291,098
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5,999,724	5,608,952
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38,055,974	32,344,229
37,962,524	32,599,831
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93,450	(255,602)
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390,904	(158,856)
<hr/>	
8,276,234	8,435,090
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\$ 8,667,138	\$ 8,276,234

STATEMENTS OF FUNCTIONAL EXPENSES

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

With comparative totals for 2012

	Program Services	Supporting Services	
		Management and General	Fundraising
Compensation and related expenses:			
Salaries and wages	\$ 1,733,450	\$ 210,736	\$ 62,819
Payroll taxes	139,711	16,985	5,063
Health and life insurance	417,027	50,698	15,113
Pension	86,777	10,550	3,145
	2,376,965	288,969	86,140
Conferences	37,617	4,426	2,212
Contractual services	13,354	26,707	
Depreciation	281,498	7,408	7,408
Direct marketing			282,576
Dues, fees and subscriptions	91,712		
Equipment and improvements	97,989		
Food and storage costs	138,164		
Freight in	253,773		
Hunger study	16,758		
Insurance:			
Property and casualty	66,826	1,758	1,758
Workers compensation	31,345	3,811	1,136
Interest	11,580		
Maintenance	78,251		
Office and operating supplies	144,932	16,236	8,483
Rent	78,236		
Rubbish removal	27,378		
Shared maintenance charged to grants	888,781		
Telephone	35,482	1,120	747
Travel and truck expense	442,733	13,981	9,321
Utilities	116,045	3,054	3,054
Total Expenses	\$ 5,229,419	\$ 367,470	\$ 402,835

See notes to financial statements.

Totals	
2013	2012
\$ 2,007,005	\$ 1,858,223
161,759	156,269
482,838	577,889
100,472	98,671
2,752,074	2,691,052
44,255	27,478
40,061	54,332
296,314	280,549
282,576	159,917
91,712	63,790
97,989	72,367
138,164	76,719
253,773	238,062
16,758	1,500
70,342	65,681
36,292	36,639
11,580	20,948
78,251	75,310
169,651	193,193
78,236	75,917
27,378	22,071
888,781	925,153
37,349	41,979
466,035	377,039
122,153	109,256
\$ 5,999,724	\$ 5,608,952

STATEMENTS OF CASH FLOWS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the years ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 390,904	\$ (158,856)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	296,314	280,549
Gain on sale of property and equipment	(24,113)	(5,463)
Unrealized loss on investments	418	1,557
Unrealized gain on revaluation of beneficial interest	(92,393)	(50,659)
In-kind contribution of donated equipment	(102,825)	(45,651)
Beneficial interest in perpetual endowment fund		(4,097)
Change in inventory valuation	(230,249)	279,877
Contributions restricted for long term purposes	(42,000)	(52,000)
Change in operating assets and liabilities:		
Accounts receivable	53,291	(216,131)
Pledges receivable	(124,000)	
Prepaid expenses	(11,740)	56,391
Accounts payable	154,093	(5,984)
Accrued expenses	(56,341)	71,663
Net Cash Provided by Operating Activities	211,359	151,196
Cash Flows from Investing Activities		
Purchase of property and equipment	(314,090)	(204,850)
Purchases of investments	(45,076)	(708,427)
Proceeds from sale of investments	252,785	250,000
Proceeds from sale of property and equipment	31,750	6,055
Net Cash Used for Investing Activities	(74,631)	(657,222)
Cash Flows from Financing Activities		
Payments on long-term debt	(15,498)	(7,344)
Contributions restricted for long-term purposes	42,000	52,000
Net Cash Provided by Financing Activities	26,502	44,656
Net Increase (Decrease) in Cash	163,230	(461,370)
Cash, beginning of year	1,053,488	1,514,858
Cash, end of year	\$ 1,216,718	\$ 1,053,488
Supplementary Information:		
Interest paid	\$ 11,580	\$ 20,948
In-kind contributions reflected as revenues, capital assets and expenses	110,694	65,908

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note A – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Feeding America West Michigan Food Bank, formerly Second Harvest Gleaners, (the Food Bank) is incorporated as a not-for-profit corporation for the purpose of receiving donations of food from farmers, wholesalers, food processors and stores, and distributing such food to social and religious agencies upon a normal shared maintenance fee payment of up to sixteen cents per pound depending on the type of product. In addition to shared maintenance, the Food Bank receives donations and grants from individuals, social, business and community groups, and governmental agencies.

Financial Statement Presentation

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

Method of Accounting

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

Cash and Cash Equivalents

The Food Bank considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

The Food Bank maintains cash balances in checking and savings accounts. 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, the Food Bank may have cash in a bank checking or savings account in excess of the federally insured limit but concentrates on limiting their risk to any one financial institution.

Accounts Receivable

The Food Bank 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 to support accounts receivable, which are stated at the amount management expects to collect from outstanding balances. The Food Bank provides for probable uncollectible amounts through a charge to the change in net assets and a credit to the valuation allowance 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 through a charge to the valuation allowance and a credit to accounts receivable.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of both purchased and donated food items. Inventory is stated at cost using the first in, first out (FIFO) method to determine cost for purchased inventory. Donated inventory is stated at a standard per pound value based on an independent survey done by a national accounting firm. In addition, the Food Bank receives U.S.D.A. commodities. The items in inventory are valued at per pound prices suggested by the U.S.D.A.

Investments

Investments are reported at their fair market value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. The Food Bank capitalizes all expenditures for land, buildings, property, and equipment in excess of \$5,000. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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, of the respective assets.

Net Assets

The Food Bank reports the following three classifications of 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 the Food Bank 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 the Food Bank to use or expend part or all of the income derived from the donated assets for specific purposes.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note A – Nature of Activities 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/or 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor imposed restrictions that are met in the same year as received or earned are reported as unrestricted income.

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. 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 the Food Bank.

Donated Services

Donated services are recognized as contributions in accordance with generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Food Bank. Unaudited records indicate that approximately 21,977 and 24,654 hours, respectively, of donated non-specialized services were worked for the Food Bank in 2013 and 2012, respectively.

Income Taxes

The Food Bank is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Food Bank evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with generally accepted accounting principles which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Food Bank has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Food Bank's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Food Bank's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note B – Donated Food Product

The value of the U.S. Department of Agriculture food commodities that flow through the Food Bank, together with money grants received from the Federal Emergency Management Agency surpasses the threshold of federal financial assistance which requires the performance of a Circular A-133 audit (single audit). Accordingly, the Food Bank recorded the value of donated commodities received and distributed and culled. All U.S.D.A. inventory and product items distributed were valued at a per pound price suggested by the U.S.D.A. for each particular kind of product. All other commodities recorded in inventory and in-kind product donations were valued at an average per pound price of \$1.69 and \$1.66 for 2013 and 2012, respectively, which were the result of an independent survey done by the national accounting firm, KMPG, LLP, solely to assist in determining the approximate average wholesale value of one pound of donated product at the national level for each year.

Note C – Beneficial Interest in Perpetual Endowment Fund

The Food Bank is the beneficiary under an agency endowment agreement administered by the Grand Rapids Community Foundation. Under this agreement, the Food Bank 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 the Food Bank'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 statements of activities. Distributions from the foundation are recorded as contributions on the statements of activities. The fair market value was \$669,423 and \$535,031 at December 31, 2013 and 2012, respectively.

The Grand Rapids Community Foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the Foundation. However, in accordance with generally accepted accounting principles, an asset has been established for the fair value of the funds on the statements of financial position of the Food Bank.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note C – Beneficial Interest in Perpetual Endowment Fund (Continued)

In addition to the Food Bank's gifts to the Foundation's John Arnold Endowment fund, individual donations have been made directly to the Fund. The community foundation confirms that the total market value of the donor portion of the Fund was \$148,471 and \$127,022 as of December 31, 2013 and 2012, respectively. The Foundation was given variance power; therefore, the market value of these gifts is not reported as an asset on the Food Bank's books.

Note D – Fair Value Measurement

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2- Quoted prices in markets that are not considered active or financial instruments for which significant inputs include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

Level 3- Significant unobservable inputs, which may include the Food Bank's own assumptions in determining fair value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Assets measured at fair value on a recurring basis comprise the following:

Description	Fair Value	Level 1	Level 3
	December 31, 2013	Based on Quoted Prices in Active Markets	Significant Unobservable Inputs
Deferred annuities	\$ 154,744	\$ 154,744	
Beneficial interest in perpetual endowment	669,423		\$ 669,423
Total	\$ 824,167	\$ 154,744	\$ 669,423

As noted in Note C, Feeding America is the beneficiary under an agency endowment administered by the Grand Rapids Community Foundation. The Foundation invests in a variety of investment types that are considered Level 3 fair value inputs. The fair value of the beneficial interest was \$669,423 and \$535,031 as of December 31, 2013 and 2012, respectively. The reconciliation in Note G discloses the activity within the Beneficial Interest in Perpetual Endowment fund during the years ended December 31, 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note E – Property and Equipment

Property and equipment consist of the following:

	2013	2012
Land	\$ 500,000	\$ 500,000
Land improvements	38,573	38,573
Building	3,176,347	3,095,102
Furniture and equipment	639,821	608,813
Delivery vehicles	1,077,238	966,385
	5,431,979	5,208,873
Accumulated depreciation	(2,082,378)	(1,972,236)
Property and equipment, net	\$ 3,349,601	\$ 3,236,637

Note F – Restriction on Net Assets

	2013	2012
Board designated net assets consisted of the following:		
Endowment designated cash	\$ 7,630	\$ 36,092
Temporarily restricted net assets consisted of the following:		
Donor restricted contributions for shared maintenance	\$ 547,125	\$ 470,556
Donor restricted funds for future use	418,188	226,471
Endowment earnings - future program	233,948	141,556
	\$ 1,199,261	\$ 838,583
Permanently restricted net assets consisted of the following:		
John Arnold Endowment Fund	\$ 435,475	\$ 393,475

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note G – Endowment Funds

The board voted to establish 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 were classified as Permanently Restricted Net Assets. The Food Bank has a specific dollar goal for the John Arnold Endowment Fund of \$15,000,000 for the purpose of generating annual operating revenue for the Food Bank so as to prevent the Food Bank from shifting its focus from food distribution to fundraising.

To achieve that objective, the Food Bank has adopted a policy of investing Endowment Fund assets with the Grand Rapids Community Foundation. The assets so delivered to the Foundation constitute irrevocable gifts, so that whether the source 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.

As of December 31, 2013 and 2012, the Board of Directors had designated \$7,630 and \$36,092 of unrestricted net assets as a general endowment fund to support the objective of the John Arnold Endowment Fund. Since that amount resulted from an internal designation and is not donor-restricted, it is classified as unrestricted net assets. Donor-restricted assets are deposited temporarily in a separate bank account and transferred periodically to Grand Rapids Community Foundation. The nonprofit endowment fund established on the Foundation's books will be known as the John Arnold Endowment Fund for Feeding America West Michigan Food Bank.

The Food Bank has adopted the accounting and disclosure guidance provided by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As such, the Food Bank has adopted the required provisions of the Act.

Endowment Net Asset Composition by Type of fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
John Arnold endowment fund		\$ 233,948	\$ 435,475	\$ 669,423
Board-designated fund	\$ 7,630			7,630
Total Endowment Funds	\$ 7,630	\$ 233,948	\$ 435,475	\$ 677,053

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note G – Endowment Funds (Continued)

Changes in endowment net assets for the years ended December 31, 2013 and 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2012	\$ 24,295	\$ 86,799	\$ 341,475	\$ 452,569
Contributions	63,797			63,797
Investment income		8,550		8,550
Unrealized/realized gain on investments		50,659		50,659
Other changes:				
Transfer to endowment	(52,000)		52,000	
Investment expenses	(4,452)			(4,452)
Reclassification of funds	4,452	(4,452)		
Endowment net assets, December 31, 2012	36,092	141,556	393,475	571,123
Contributions	13,538			13,538
Unrealized/realized gain on investments		97,487		97,487
Other changes:				
Transfer to endowment	(42,000)		42,000	
Investment expenses	(5,095)			(5,095)
Reclassification of funds	5,095	(5,095)		
Endowment net assets, December 31, 2013	\$ 7,630	\$ 233,948	\$ 435,475	\$ 677,053

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note H – Long Term Debt

The Food Bank refinanced its mortgage note payable to a bank in 2013 to lower the interest rate. The new mortgage requires monthly payments of \$2,319 including interest at 3.1%. The note matures on October 1, 2018. The note is collateralized with the land and building in Cadillac. The balance as of December 31, 2013 and 2012 was \$307,020 and \$322,518, respectively.

Future maturities of long-term debt for the next five years and in aggregate are as follows:

Years ending December 31, 2014	\$	18,575
2015		19,155
2016		19,753
2017		20,370
Thereafter		<u>229,167</u>
	\$	<u><u>307,020</u></u>

Note I – Related Party Transactions

The Food Bank paid Star Truck Rentals \$321,290 and \$288,123 for trucking services during the years ended December 31, 2013 and 2012, respectively. The president of Star Truck Rentals is a member of the Food Bank's Board of Directors. In addition, the Food Bank paid for logistic services to Par Logistics, who is owned by a family member of the Executive Director. The Food Bank paid \$41,190 and \$40,500 to Par Logistics during the year ended December 31, 2013 and 2012, respectively. There were also immaterial transactions with other companies that have related board representatives.

Note J – Pension Plan

The Food Bank has a defined contribution pension plan for all employees who meet the eligibility requirements. All accrued pension expenses are fully funded and paid over to a third party trustee on a quarterly basis. The pension expense was \$100,472 and \$98,671 for the years ended December 31, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS

FEEDING AMERICA WEST MICHIGAN FOOD BANK

For the year ended December 31, 2013

Note K – Operating Leases

The Food Bank leases business premises in Benton Harbor under a 7-year lease dated February 11, 2010. 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 January 1 during the term. Rent payments under this lease totaled \$51,726 and \$51,007 during the years ended December 31, 2013 and 2012, respectively.

The Food Bank leases business premises in Sault St. Marie on a month to month basis. The lease requires monthly payments of \$930. Rent payments under this lease totaled \$11,510 for each of the years ending December 31, 2013 and 2012.

The Food Bank leases business premises in Ishpeming on a month to month basis. The lease requires monthly payments of \$1,250. Rent payments under this lease totaled \$15,000 and \$13,750 the years ending December 31, 2013 and 2012, respectively.

The Food Bank currently has non-cancelable operating leases for office equipment that expire on various dates thru March 2017. Total rental expense for equipment for the years ended December 31, 2013 and 2012 was \$20,835 and \$13,212, respectively.

Future minimum lease payments are as follows:

Year ending December 31, 2014	\$	55,150
2015		55,150
2016		53,631
2017		10,281