

***GLEANINGS FOR THE HUNGRY, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 and 2011***

Wm. E. Cornell, Jr. CPA

1101 College Ave, Suite 210
Santa Rosa, CA 95404
(707) 544-2390

Send all Correspondence to Santa Rosa
(800) 292-2390 FAX (707) 544-8020

494 North Main Street
Angels Camp, CA 95222
(209) 736-2201

GLEANINGS FOR THE HUNGRY, INC.
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December 31, 2012 and 2011

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Independent Auditors' Report

To the Board of Directors
GLEANINGS FOR THE HUNGRY, INC.
Sultana, California

We have audited the accompanying financial statements of Gleanings For The Hungry, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended December 31, 2012, 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. Those standards require that we plan and perform the audits 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.

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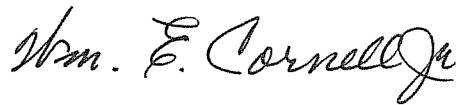
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gleanings For The Hungry, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years 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 Gleanings For the Hungry, Inc. 2011 financial statements, and our report dated May 16, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statement from which it has been derived.

A handwritten signature in cursive script that reads "Wm. E. Cornell Jr.".

Wm. E. Cornell Jr.
Santa Rosa, California
August 1, 2013

GLEANINGS FOR THE HUNGRY, INC.
Statements of Financial Position
December 31, 2012 and 2011

	December 31,	
	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 320,148	\$ 272,570
Prepaid Insurance	14,325	13,142
Prepaid Outreach Expenses	24,266	-
Inventory - Donated Food and Supplies	1,061,662	1,642,938
Inventory - Gift Shop	13,951	10,814
Note Receivable - Cuyama Property - Current Portion	-	14,055
TOTAL CURRENT ASSETS	<u>1,434,352</u>	<u>1,953,519</u>
LONG-TERM ASSETS		
Property and Equipment, Net	1,894,885	1,673,411
Note Receivable - Cuyama Property - Less Current Portion	-	58,464
TOTAL LONG-TERM ASSETS	<u>1,894,885</u>	<u>1,731,875</u>
TOTAL ASSETS	<u>\$ 3,329,237</u>	<u>\$ 3,685,394</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 11,399	\$ 15,769
TOTAL CURRENT LIABILITIES	<u>11,399</u>	<u>15,769</u>
NET ASSETS		
Unrestricted Net Assets	3,317,838	3,669,625
TOTAL NET ASSETS	<u>3,317,838</u>	<u>3,669,625</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,329,237</u>	<u>\$ 3,685,394</u>

The accompanying notes are an integral part of these financial statements

GLEANINGS FOR THE HUNGRY, INC.
 Statements of Activities
 For the years ended December 31, 2012 and 2011

	2012	2011
	Total Unrestricted	
MONETARY TRANSACTIONS		
REVENUES AND OTHER SUPPORT		
Donations-Cash		
General	\$ 694,093	\$ 701,079
Missions	189,368	161,964
Student, Staff, & Group Fees	209,494	112,705
Sales - Gift Shop	10,632	15,830
Interest and Dividends	3,855	7,144
Other Income	90,435	6,461
Gain/(Loss) on Sale of Equipment	733	1,900
TOTAL REVENUES AND SUPPORT, MONETARY	1,198,610	1,007,083
EXPENSES		
Program Service	784,240	817,942
Management and General	167,235	168,774
Fund Raising	66,146	61,013
TOTAL EXPENSES, MONETARY	1,017,621	1,047,729
CHANGE IN NET ASSETS, MONETARY	180,989	(40,646)
IN-KIND TRANSACTIONS		
REVENUES		
Donations-Fresh & Dried Food	2,321,566	5,709,438
Donations-Labor Added to Fixed Assets	48,500	-
TOTAL REVENUES, IN-KIND	2,370,066	5,709,438
EXPENSES		
Program Services-Food Donations	2,902,842	4,658,690
CHANGE IN NET ASSETS, IN-KIND	(532,776)	1,050,748
TOTAL CHANGE IN NET ASSETS	(351,787)	1,010,102
NET ASSETS AT BEGINNING OF YEAR	3,669,625	2,659,523
NET ASSETS AT END OF YEAR	\$ 3,317,838	\$ 3,669,625

The accompanying notes are an integral part of these financial statements

GLEANINGS FOR THE HUNGRY, INC.

Statement of Functional Expenses

For the year ended December 31, 2012, with Summarized Comparative Information
for the Year Ended 2011

	2012				2011
	Program Service	Management and General	Fund Raising	Total Funds	Total Funds
EXPENSES-MONETARY					
MINISTRY EXPENSES					
Contributions - Cash	\$ 237,723	\$ 11,429	\$ 11,429	\$ 260,580	\$ 275,960
Cost of Donated Food Disbursed	57,279	-	-	57,279	60,533
Food & Supplies - Base	68,144	19,470	9,735	97,348	90,966
Shipping and Postage	37,962	2,712	13,558	54,231	46,610
TOTAL MINISTRY EXPENSES	401,107	33,610	34,721	469,438	474,069
OPERATING EXPENSES					
Bank Processing Charges	3,178	1,589	530	5,296	4,791
Dues and Subscriptions	450	225	75	750	867
Housing Supplies	42,795	-	-	42,795	20,741
Legal and Accounting	-	12,414	-	12,414	13,070
Miscellaneous	2,584	1,107	-	3,691	2,490
Office Supplies	5,885	12,286	27	18,198	20,372
Outreach and Discipleship Training School	40,011	-	-	40,011	10,973
Printing	6,707	1,677	8,384	16,768	12,469
Promotion	1,283	856	6,416	8,555	19,007
Purchases - Gift Shop	12,859	-	-	12,859	1,713
Taxes and Licenses	4,188	465	-	4,653	34,119
Telephone	8,712	2,010	2,681	13,403	21,859
Travel	1,405	4,215	8,430	14,050	14,420
TOTAL OPERATING EXPENSES	130,056	36,844	26,543	193,443	176,891
FACILITIES AND EQUIPMENT EXPENSES					
Automotive	26,398	11,646	776	38,820	38,977
Depreciation	67,397	28,885	-	96,282	104,508
Insurance	13,989	3,587	359	17,934	19,416
Maintenance and Repairs	36,663	9,401	940	47,004	60,748
Plant Supplies	23,606	6,295	1,574	31,474	50,645
Utilities	85,026	36,968	1,232	123,226	122,475
TOTAL FACILITIES AND EQUIPMENT EXPENSES	253,077	96,781	4,881	354,740	396,769
TOTAL FUNCTIONAL EXPENSES, MONETARY	784,240	167,235	66,146	1,017,621	1,047,729
EXPENSES - IN-KIND					
MINISTRY EXPENSES					
Cost of Donated Food Disbursed	2,902,842	-	-	2,902,842	4,658,690
TOTAL EXPENSES, IN-KIND	2,902,842	-	-	2,902,842	4,658,690
TOTAL EXPENSES	\$ 3,687,082	\$ 167,235	\$ 66,146	\$ 3,920,463	\$ 5,706,419
	94.05%	4.27%	1.69%	100.00%	100.00%

The accompanying notes are an integral part of these financial statements

GLEANINGS FOR THE HUNGRY, INC.
Statements of Cash Flows
For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (351,787)	\$ 1,010,102
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Depreciation and Amortization	96,282	104,508
(Gain) Loss on Disposal of Fixed Assets	(733)	(1,900)
(Increase) in Donations in Kind - Labor	(48,500)	
(Increase) Decrease in Operating Assets:		
Inventory - Donated Food and Supplies	581,276	(1,050,748)
Inventory - Gift Shop	(3,137)	(10,817)
Prepaid Insurance	(1,182)	(1,217)
Prepaid Property Taxes	-	14,751
Prepaid Outreach Expenses	(24,266)	0
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(4,370)	(34,278)
Accrued Payables	-	(2,561)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>243,583</u>	<u>27,840</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections Made on Note Receivable	72,519	12,978
Proceeds from Disposal of Fixed Assets	3,900	1,900
Purchase of Property Improvements and Equipment	(272,424)	(105,209)
NET CASH USED BY INVESTING ACTIVITIES	<u>(196,005)</u>	<u>(90,331)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,578	(62,491)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>272,570</u>	<u>335,061</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 320,148</u>	<u>\$ 272,570</u>

The accompanying notes are an integral part of these financial statements

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

(1) Organization

Gleanings for the Hungry, Inc. (Gleanings or the Organization) was incorporated under the laws of the State of California on November 24, 1987 as a religious, non-profit, tax-exempt corporation under Internal Revenue Code Section 501(c)(3) and California Revenue & Taxation Code Section 23701(d). The Organization's Federal Return of Organization Exempt from Income Tax (Form 990) and California Exempt Organization Annual Information Return (Form 199) for 2009, 2010 and 2011 are subject to examination by the IRS and California Franchise Tax Board.

The Organization receives, processes and ships dried foods to needy and disaster areas around the world. The Organization gleans fruit from the Central Valley of California for drying. It also receives dehydrated vegetables and spices from various food manufacturers and distributors across North America, which are combined into soup and trail mixes. The majority of Gleanings' inventory is received via donations, with a small percentage purchased by Gleanings.

Various volunteer groups are scheduled throughout the year to dry and package the food. Gleanings ships the food to charitable organizations who have the capability to distribute the food to the needy throughout the world.

Summary of Significant Accounting Procedures

(a) Basis of Presentation

The financial statements of Gleanings are presented on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP) established for non-profit organizations. In accordance with GAAP, the Organization classifies net assets, revenues, gains and other support and expenses based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are assets which are not subject to donor-imposed restrictions or assets that are received with restrictions that are satisfied in the same reporting period. As of December 31, 2012 and 2011 all of the Organization's net assets were unrestricted.

Contributions and income are reported as they are received as Gleanings does not have advance knowledge of contributions to be received. Expenses are recorded when incurred. All expenses are reported as decreases in unrestricted net assets.

(b) Summarized Financial Information

The Statement of Functional Expenses for the year ended December 31, 2011 has been condensed to show expenses in total and not by function. This is a departure from GAAP, which requires the Statement of Functional Expenses to present expenses both by function and by natural classification. In our audit report dated May 16, 2012 we presented the complete Statement of Functional Expenses for the year ended December 31, 2011 and issued an unqualified audit opinion on the statement.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

(c) Statement of Cash Flows

The Statement of Cash Flows for the Year ended December 31, 2011 has been modified from, and is consistent in all material respects with, its original presentation with our audit report dated May 16, 2012. It has been modified to provide additional information in accordance with GAAP.

(d) Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents and are recorded at cost, which approximates fair value.

(e) Fair Value Measurements

The donated food and supplies inventory are presented in the statement of financial position at fair value.

Fair value means the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Since considerable judgment may be required in interpreting market data used to develop fair value estimates, disclosures must distinguish which level, from the following hierarchy, the measurement inputs were taken:

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

Level 2- 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 for substantially the full term of the assets or liabilities.

Level 3- Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's value for donated food and supplies inventory of \$1,061,662 and \$1,642,938 at December 31, 2012 and 2011, respectively, is from Level 2 inputs. Management uses quoted wholesale prices of similar goods to value its donated food and supplies inventory.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

(f) Inventory

Inventory consists of donated food and supplies and items available for sale in the gift store. The donated inventory is not available for sale. The value of the inventory is determined by conservative valuation methods, provided by food and supply vendors, consistent with their respective industries. The gift store inventory is valued at cost on a first-in, first-out basis.

(g) Fixed Assets

Property and equipment purchased is carried at cost. Equipment donated is carried at fair market value at the time of the donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Land and buildings are carried at cost. Major additions and improvements (\$500 or more) are capitalized, while replacements, maintenance and repairs, which do not extend the life of the respective asset, are expensed in the current period.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets with no salvage value. The useful lives per asset class are as follows: buildings - 40 years, property improvements - 20 to 40 years, furniture and fixtures and equipment - 5 to 10 years, computers - 5 years, vehicles - 5 to 7 years.

Volunteer labor is used for the construction of fixed assets. When a fixed asset is completed, then a value for donated labor is computed and added to the cost of the fixed asset. For the year ended December 31, 2012, \$48,500 in donated labor has been recognized as revenue and capitalized as fixed assets.

(h) Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. While the Organization did receive contributions subject to donor restrictions, because the Organization satisfied, in the same reporting period, the restrictions stipulated by the donors, all contributions to the Organization have been recorded as unrestricted support.

(i) Contributions - In Kind

Accounting policies for non-profit organizations suggest a value be added to income for food donated to the Organization. For 2012 and 2011 respectively, a value by management of \$2,321,566 and \$5,709,438 of food was received as donations. \$2,902,842 and \$4,658,690 value of food inventory was distributed to other relief organizations around the world for 2012 and 2011, respectively.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

Accounting policies for non-profit organizations suggest a value be added to income for time donated by volunteers providing professional services. All workers of the Organization donate their time. Management has determined that none of the services donated meet the criteria for recognition as revenue, with the exception of donated labor in the constructions of fixed assets. Accordingly, no value for services contributed by volunteers has been included in the Statements of Activities and Statement of Functional Expenses with Summarized Comparative Information.

(j) Functional Expense Allocation

The cost of providing the various programs and supporting services has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(k) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, and losses during the reporting period. Key estimates include the allowance for depreciation and the values given to donated food inventory and donated labor by volunteers in the construction of fixed assets. Management has estimated the value of the donated food inventory by using donor provided wholesale prices per pound or unit, or industry average wholesale prices. The value of donated labor by volunteers is estimated to be a portion of the cost of materials per project. Accumulated depreciation is an estimate of expected life value computed on straight line methods from 5 years for computer hardware to 40 years for buildings. Accordingly, actual results could differ from these estimates.

(2) Cash and Cash Equivalents

	<u>2012</u>	<u>2011</u>
Checking Account	\$ 119,770	\$ 62,307
Merrill Lynch Money Market	199,372	209,260
Petty Cash on Hand	1,006	1,003
	<u>\$ 320,148</u>	<u>\$ 272,570</u>

(3) Inventory

	<u>2012</u>	<u>2011</u>
Donated Food	\$ 1,011,331	\$ 1,586,858
Donated Supplies	50,331	56,080
	<u>\$ 1,061,662</u>	<u>\$ 1,642,938</u>

See accompanying independent auditors' report

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

(4) Property, Plant & Equipment

By Category	Totals	Less Reserve for Depreciation	Net Book Value
		<u>2012</u>	
Land	\$ 211,750	\$ -	\$ 211,750
Buildings	502,185	93,750	408,435
Property Improvements	1,855,906	953,394	902,512
Furniture & Fixtures	83,512	80,086	3,426
Equipment	531,988	439,469	92,519
Computers	6,123	4,639	1,484
Vehicles	206,683	194,121	12,562
Construction in Progress	262,197	-	262,197
Totals	<u>\$ 3,660,344</u>	<u>\$ 1,765,459</u>	<u>\$ 1,894,885</u>

		<u>2011</u>	
Land	\$ 211,750	\$ -	\$ 211,750
Buildings	502,185	81,250	420,935
Property Improvements	1,759,537	895,440	864,097
Furniture & Fixtures	83,512	78,489	5,023
Equipment	482,597	423,595	59,002
Computers	4,451	4,223	228
Vehicles	217,183	193,513	23,670
Construction in Progress	88,706	-	88,706
Totals	<u>\$ 3,349,921</u>	<u>\$ 1,676,510</u>	<u>\$ 1,673,411</u>

(5) Note Receivable - Cuyama Property

The property known as the Cuyama Property was sold for \$168,000 during 2001 on the installment basis. The note receivable was paid off in August of 2012.

(6) Property Tax Refund

The Organization received a property tax exemption ruling from the State of California on September 1, 2011 and received a refund of \$84,273 for the past three years' property taxes paid. This refund is included on the Statement of Activities under "Other Income" during 2012.

See accompanying independent auditors' report

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2012

(7) Subsequent Events

The Organization evaluated subsequent events through August 1, 2013, the date the financial statements were available to be issued.