

***GLEANINGS FOR THE HUNGRY, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 and 2010***

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.
Table of Contents
December 31, 2011 and 2010

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses with Summarized Financial Information	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6-10



Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Gleanings For The Hungry, Inc. (a nonprofit organization) as of December 31, 2011, and 2010, and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended December 31, 2011 with summarized financial information for the year ended 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In our report dated May 17, 2011, we expressed an unqualified opinion on the statement of functional expenses for the year ended December 31, 2010. In our opinion, the summarized financial information for the year ended 2010 is fairly stated, in all material respects, in relation to the financial statement from which it has been derived.

Wm. E. Cornell Jr.
Santa Rosa, California
May 16, 2012

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.

Statements of Financial Position

December 31, 2011 and 2010

	December 31,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 272,570	\$ 335,061
Prepaid Insurance	13,142	11,925
Prepaid Property Taxes	-	14,751
Inventory - Donated Food and Supplies	1,642,938	587,190
Inventory - Gift Shop	10,814	5,000
Note Receivable - Cuyama Property - Current Portion	14,055	12,978
TOTAL CURRENT ASSETS	<u>1,953,519</u>	<u>966,905</u>
LONG-TERM ASSETS		
Property and Equipment, Net	1,673,411	1,672,707
Note Receivable - Cuyama Property - Less Current Portion	58,464	72,519
TOTAL LONG-TERM ASSETS	<u>1,731,875</u>	<u>1,745,226</u>
TOTAL ASSETS	<u>3,685,394</u>	<u>2,712,131</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	15,769	50,047
Accrued Payables	-	2,561
TOTAL CURRENT LIABILITIES	<u>15,769</u>	<u>52,608</u>
NET ASSETS		
Unrestricted Net Assets	3,669,625	2,659,523
TOTAL NET ASSETS	<u>3,669,625</u>	<u>2,659,523</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,685,394</u>	<u>\$ 2,712,131</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	Total Unrestricted	
MONETARY TRANSACTIONS		
REVENUES AND OTHER SUPPORT		
Donations-Cash		
General	\$ 701,079	\$ 820,085
Missions	161,964	150,394
Student, Staff, & Group Fees	112,705	168,191
Sales - Gift Shop	15,830	18,248
Interest and Dividends	7,144	8,515
Other Income	6,461	13,689
Gain/(Loss) on Sale of Equipment	1,900	(2,786)
TOTAL REVENUES AND SUPPORT, MONETARY	<u>1,007,083</u>	<u>1,176,336</u>
EXPENSES		
Program Service	817,942	982,085
Management and General	168,774	165,329
Fund Raising	61,013	47,432
TOTAL EXPENSES, MONETARY	<u>1,047,729</u>	<u>1,194,846</u>
CHANGE IN NET ASSETS, MONETARY	<u>(40,646)</u>	<u>(18,510)</u>
IN-KIND TRANSACTIONS		
REVENUES		
Donations-Fresh & Dried Food	<u>5,709,438</u>	<u>4,306,736</u>
EXPENSES		
Program Services	<u>4,658,690</u>	<u>4,616,968</u>
CHANGE IN NET ASSETS, IN-KIND	<u>1,050,748</u>	<u>(310,232)</u>
TOTAL CHANGE IN NET ASSETS	<u>1,010,102</u>	<u>(328,742)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,659,523</u>	<u>2,988,265</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,669,625</u>	<u>\$ 2,659,523</u>

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, 2011, with Summarized Financial Information
for the Year Ended 2010

	2011			2010	
	<u>Program Service</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Funds</u>	<u>Total Funds</u>
EXPENSES-MONETARY					
MINISTRY EXPENSES					
Contributions - Cash	\$ 275,960	\$ -	\$ -	\$ 275,960	\$ 245,671
Contributions - Food	60,533	-	-	60,533	130,407
Food & Supplies	63,676	18,193	9,097	90,966	99,688
Shipping and Postage	32,626	2,331	11,653	46,610	36,739
TOTAL MINISTRY EXPENSES	<u>432,795</u>	<u>20,524</u>	<u>20,750</u>	<u>474,069</u>	<u>512,505</u>
ADMINISTRATIVE EXPENSES					
Bank Processing Charges	2,875	1,437	479	4,791	6,710
Dues and Subscriptions	520	260	87	867	311
Housing Supplies	20,741	-	-	20,741	25,679
Legal and Accounting	-	13,070	-	13,070	10,000
Miscellaneous	2,206	284	-	2,490	5,106
Office Supplies	7,245	13,084	43	20,372	20,589
Outreach and Discipleship Training School	10,973	-	-	10,973	74,663
Printing	4,988	1,247	6,235	12,469	12,228
Promotion	2,851	1,901	14,255	19,007	12,015
Purchases - Gift Shop	1,713	-	-	1,713	17,538
Taxes and Licenses	30,707	3,412	-	34,119	33,408
Telephone	14,208	3,279	4,372	21,859	13,248
Travel	1,441	4,326	8,653	14,420	2,077
TOTAL ADMINISTRATIVE EXPENSES	<u>100,468</u>	<u>42,300</u>	<u>34,123</u>	<u>176,891</u>	<u>233,572</u>
FACILITIES AND EQUIPMENT EXPENSES					
Automotive	26,504	11,693	780	38,977	31,860
Depreciation	73,155	31,353	-	104,508	117,590
Insurance	15,144	3,883	388	19,416	21,476
Maintenance and Repairs	47,384	12,150	1,215	60,748	102,467
Plant Supplies	37,984	10,129	2,532	50,645	65,836
Utilities	84,508	36,743	1,225	122,475	109,540
TOTAL FACILITIES AND EQUIPMENT EXPENSES	<u>284,679</u>	<u>105,950</u>	<u>6,140</u>	<u>396,769</u>	<u>448,769</u>
TOTAL FUNCTIONAL EXPENSES, MONETARY	<u>817,942</u>	<u>168,774</u>	<u>61,013</u>	<u>1,047,729</u>	<u>1,194,846</u>
EXPENSES - IN-KIND					
MINISTRY EXPENSES					
Cost of Donated Food Disbursed	4,658,690	-	-	4,658,690	4,616,968
TOTAL EXPENSES, IN-KIND	<u>4,658,690</u>	<u>-</u>	<u>-</u>	<u>4,658,690</u>	<u>4,616,968</u>
TOTAL EXPENSES	<u>\$ 5,476,632</u>	<u>\$ 168,774</u>	<u>\$ 61,013</u>	<u>\$ 5,706,419</u>	<u>\$ 5,811,814</u>
	95.97%	2.96%	1.07%	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, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets, Monetary	\$ (40,646)	\$ (18,510)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	104,508	117,590
Gain (Loss) on Disposal of Fixed Assets	(1,900)	2,786
(Increase) in Inventory - Gift Shop	(10,817)	(5,000)
(Increase) Decrease in Operating Assets:		
Prepaid Insurance	(1,217)	952
Prepaid Property Taxes	14,751	(1,329)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(34,278)	12,647
Accrued Payables	(2,561)	96
NET CASH PROVIDED BY OPERATING ACTIVITIES	27,840	109,232
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections Made on Note Receivable	12,978	11,904
Proceeds from Disposal of Fixed Assets	1,900	-
Purchase of Property Improvements and Equipment	(105,209)	(86,539)
NET CASH USED BY INVESTING ACTIVITIES	(90,331)	(74,635)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(62,491)	34,597
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	335,061	300,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 272,570	\$ 335,061

The accompanying notes are an integral part of these financial statements

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2011

(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).

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.

(2) 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, 2011 and 2010 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.

The Statements of Activities and Cash Flows for the year ended December 31, 2010 have been changed from their original state, on which we issued an unqualified opinion in our report dated May 17, 2011, to conform to the presentation of the same statements for the year ended December 31, 2011. For the current year, the statements mentioned above present monetary and in-kind activities separately. The totals reported by the statements for the year ended December 31, 2010 have not changed, although some line items have been reclassified to conform to the new presentation.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2011

(b) Summarized Financial Information

The Statement of Functional Expenses for the year ended December 31, 2010 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 17, 2011 we presented the complete Statement of Functional Expenses for the year ended December 31, 2010 and issued an unqualified audit opinion on the statement.

(c) Cash and Cash Equivalents

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

(d) 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.

(e) 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. There have been no contributed services added to the cost of fixed assets during this period.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2011

(f) 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.

(g) Contributions - In Kind

Accounting policies for non-profit organizations suggest a value be added to income for food donated to the Organization. For 2011 and 2010 respectively, a value by management of \$5,709,438 and \$4,306,736 of food was received as donations. \$4,719,223 and \$4,747,375 value of food inventory was distributed to other relief organizations around the world for 2011 and 2010, respectively. The value of inventory on hand at the end of 2011 and 2010 was \$1,642,938 and \$587,190, respectively.

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. Accordingly, no value for services contributed by volunteers has been included in the Statements of Activities and Statement of Functional Expenses with Summarized Financial Information.

(h) 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.

(i) Use of Estimates

The preparation of financial statements in conformity with GAAP includes the use of estimates that affect the financial statements, such as the allowance for depreciation and the value given to donated food inventory and the ministry expense of food disbursed to the needy. Management has estimated the value of the donated food inventory and food contributions by using donor provided wholesale prices per pound or unit, or industry average wholesale prices. 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.

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2011

(3) Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Checking Account	\$ 62,307	\$ 87,814
Merrill Lynch Money Market	209,260	246,241
Petty Cash on Hand	1,003	1,006
	<u>272,570</u>	<u>335,061</u>

(4) Property, Plant & Equipment

By Category	Totals	Less Reserve for Depreciation	Net Book Value
		<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>

		<u>2010</u>	
Land	\$ 211,750	\$ -	\$ 211,750
Buildings	502,185	68,750	433,435
Property Improvements	1,716,270	835,245	881,025
Furniture & Fixtures	82,469	76,280	6,189
Equipment	481,397	403,778	77,619
Computers	4,451	3,696	755
Vehicles	220,183	187,255	32,928
Construction in Progress	29,006	-	29,006
Totals	<u>\$ 3,247,711</u>	<u>\$ 1,575,004</u>	<u>\$ 1,672,707</u>

See accompanying independent auditor's report

GLEANINGS FOR THE HUNGRY, INC.

Notes to Financial Statements

December 31, 2011

(5) Note Receivable - Cuyama Property

The property known as the Cuyama Property was sold for \$168,000 during 2001 on the installment basis. It is being paid off with a 15 year amortization including 8% interest. Monthly payments of \$1,605.50 were received which included principal and interest.

Principal to be received:

Current	\$	14,055
2013		15,222
2014		16,485
2015		17,853
2016		8,904
Total	\$	<u>72,519</u>

(6) Subsequent Events

The Organization evaluated subsequent events through May 16, 2012, the date the financial statements were available to be issued.