

**GLEANINGS FOR THE HUNGRY, INC.**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Gleanings for the Hungry, Inc.  
Dinuba, CA

We have audited the accompanying financial statements of Gleanings for the Hungry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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. 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 Gleanings for the Hungry, Inc. as of December 31, 2016 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.

*Pine, Pedroncelli & Aguilar, Inc*

Visalia, California  
June 28, 2017

**GLEANINGS FOR THE HUNGRY, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016**

**ASSETS**

**CURRENT ASSETS**

|                               |               |
|-------------------------------|---------------|
| Cash                          | \$ 508,835    |
| Receivables                   | 18,206        |
| Inventory - Food and Supplies | 969,806       |
| Inventory - Gift Shop         | <u>10,478</u> |

Total Current Assets 1,507,325

**PROPERTY AND EQUIPMENT, NET** 2,045,210

**TOTAL ASSETS** \$ 3,552,535

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|                  |                  |
|------------------|------------------|
| Accounts Payable | <u>\$ 42,423</u> |
|------------------|------------------|

**NET ASSETS**

|                        |               |
|------------------------|---------------|
| Unrestricted           | 3,410,458     |
| Temporarily Restricted | <u>99,654</u> |

Total Net Assets 3,510,112

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,552,535

The accompanying notes are an integral part of these financial statements.

**GLEANINGS FOR THE HUNGRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|------------------|
| <b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>            |                     |                                   |                  |
| <b>SUPPORT</b>   |                     |                                   |                  |
| Contributions - General                                  | \$ 628,622          | \$ 333,446                        | \$ 962,068       |
| Mission Contributions                                    | 50,332              | 157,677                           | 208,009          |
| Donated Food and Supplies                                | <u>7,398,799</u>    | <u>-</u>                          | <u>7,398,799</u> |
| <b>Total Support</b>                                     | <u>8,077,753</u>    | <u>491,123</u>                    | <u>8,568,876</u> |
| <b>REVENUE</b>   |                     |                                   |                  |
| Staff, Student and Group Fees                            | 115,483             | -                                 | 115,483          |
| Loss on Gift Shop Sales                                  | (579)               | -                                 | (579)            |
| Interest Income  | 502                 | -                                 | 502              |
| Gain on Sale of Assets                                   | 900                 | -                                 | 900              |
| Realized Gain on Investments                             | 66                  | -                                 | 66               |
| Other Income   | <u>26,966</u>       | <u>-</u>                          | <u>26,966</u>    |
| <b>TOTAL REVENUE</b>                                     | <u>143,338</u>      | <u>-</u>                          | <u>143,338</u>   |
| <b>TOTAL SUPPORT AND REVENUE</b>                         | 8,221,091           | 491,123                           | 8,712,214        |
| <b>NET ASSETS RELEASED FROM RESTRICTIONS</b>             | <u>407,031</u>      | <u>(407,031)</u>                  | <u>-</u>         |
| <b>TOTAL SUPPORT, REVENUE, AND<br/>RECLASSIFICATIONS</b> | <u>8,628,122</u>    | <u>84,092</u>                     | <u>8,712,214</u> |

The accompanying notes are an integral part of these financial statements.

**GLEANINGS FOR THE HUNGRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|---------------------|
| <b>EXPENSES</b>  |                     |                                   |                     |
| Program Services   | \$ 8,594,265        | \$ -                              | \$ 8,594,265        |
| Supporting Services  |                     |                                   |                     |
| Management and General                                       | 203,642             | -                                 | 203,642             |
| Fundraising  | <u>61,077</u>       | <u>-</u>                          | <u>61,077</u>       |
| <b>TOTAL EXPENSES</b>  | <u>8,858,984</u>    | <u>-</u>                          | <u>8,858,984</u>    |
| <b>CHANGE IN NET ASSETS</b>                                  | (230,862)           | 84,092                            | (146,770)           |
| <b>NET ASSETS, Beginning of the Year</b>                     | 4,710,172           | -                                 | 4,710,172           |
| <b>RECLASSIFICATION OF PRIOR YEAR<br/>NET ASSET BALANCES</b> | (15,562)            | 15,562                            | -                   |
| <b>PRIOR YEAR ADJUSTMENT</b>                                 | <u>(1,053,290)</u>  | <u>-</u>                          | <u>(1,053,290)</u>  |
| <b>NET ASSETS, End of the Year</b>                           | <u>\$ 3,410,458</u> | <u>\$ 99,654</u>                  | <u>\$ 3,510,112</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, 2016**

|                                    | Program<br>Services | Support Services          |                  | Total               |
|------------------------------------|---------------------|---------------------------|------------------|---------------------|
|                                    |                     | Management<br>and General | Fundraising      |                     |
| Automotive                         | \$ 31,784           | \$ 14,022                 | \$ 935           | \$ 46,741           |
| Bank Charges                       | 5,260               | 2,630                     | 877              | 8,767               |
| Contributions and Mission Support  | 424,882             | 8,852                     | 8,852            | 442,586             |
| Food Donations                     | 7,577,557           | -                         | -                | 7,577,557           |
| Depreciation                       | 63,646              | 27,277                    | -                | 90,923              |
| Food and Supplies                  | 78,770              | 22,506                    | 11,253           | 112,529             |
| Housing Supplies                   | 35,149              | -                         | -                | 35,149              |
| Insurance                          | 24,653              | 6,321                     | 633              | 31,607              |
| Legal and Accounting               | -                   | 19,800                    | -                | 19,800              |
| Maintenance and Repairs            | 62,428              | 16,007                    | 1,601            | 80,036              |
| Office Supplies                    | 11,998              | 13,619                    | 6,810            | 32,427              |
| Outreach and Discipleship Training | 63,144              | -                         | -                | 63,144              |
| Plant Supplies                     | 110,469             | 29,470                    | 7,367            | 147,306             |
| Printing                           | 7,008               | 1,752                     | 8,759            | 17,519              |
| Promotion                          | 1,104               | 736                       | 5,518            | 7,358               |
| Taxes and Licenses                 | 7,499               | 833                       | -                | 8,332               |
| Telephone                          | 5,823               | 1,344                     | 1,792            | 8,959               |
| Travel                             | 915                 | 2,745                     | 5,490            | 9,150               |
| Utilities                          | 82,176              | 35,728                    | 1,190            | 119,094             |
| <b>TOTAL EXPENSES</b>              | <b>\$ 8,594,265</b> | <b>\$ 203,642</b>         | <b>\$ 61,077</b> | <b>\$ 8,858,984</b> |

The accompanying notes are an integral part of these financial statements.

**GLEANINGS FOR THE HUNGRY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |                |
|---|----------------|
| Change in Net Assets                                      | \$ (146,770)   |
| Adjustments to Reconcile Change in Net Assets to Net Cash |                |
| Flows from Operating Activities:                          |                |
| Depreciation  | 90,923         |
| Prior Year Adjustment                                     | (1,053,290)    |
| Gain on Sale of Assets                                    | (900)          |
| Gain on Sale of Investments                               | (66)           |
| Decrease in Donated Inventory                             | 1,231,938      |
| Decrease in Gift Shop Inventory                           | 1,707          |
| Increase in Receivables                                   | (18,206)       |
| Increase in Accounts Payable                              | <u>31,353</u>  |
| Net Cash Flows Provided by Operating Activities           | <u>136,689</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                       |                 |
|---------------------------------------|-----------------|
| Acquisition of Property and Equipment | (78,217)        |
| Acquisition of Investments            | (2,468)         |
| Proceeds from Sale of Assets          | 900             |
| Proceeds from Sale of Investments     | <u>2,534</u>    |
| Net Cash Used by Investing Activities | <u>(77,251)</u> |

Net Increase in Cash 59,438

Cash- Beginning of Period 449,397

**CASH- END OF PERIOD** **\$ 508,835**

**SUPPLEMENTARY INFORMATION:**

**NONCASH INVESTING ACTIVITY:**

    Donated Property and Equipment \$ 6,850

The accompanying notes are an integral part of these financial statements.



**GLEANINGS FOR THE HUNGRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

Nature of Activities

Gleanings for the Hungry, Inc is a religious, non-profit Organization that was incorporated under the laws of the State of California on January 7, 1987.

The Organization's vision is to feed the hungry of the world, both physically and spiritually. With the help of thousands of volunteers, the Organization is able to receive, process and ship dried foods to needy and disaster areas of the world.

Basis of Accounting

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

Financial Statement Presentation

The Organization is required to report 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.

Cash and Cash Equivalents

Cash and cash equivalents that have an original maturity of three months or less are considered cash equivalents. The Organization maintains its cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2016 the Organization exceeded the insured limit by approximately \$19,060.

Accounts Receivable

The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. Management reviews accounts annually and charges receivables deemed uncollectible to current operations.

Property and Equipment

Equipment is depreciated using the straight-line method over the estimated useful life. It is the Organization's practice to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Depreciation expense for the year ended December 31, 2016 was \$90,923. When property or equipment is sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recognized in the year of sale or disposition.

**GLEANINGS FOR THE HUNGRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Taxes

Gleanings for the Hungry, Inc. has received an exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, these statements do not reflect income taxes on earnings.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Inventory- Donated

The Organization's donated inventory consists of food and supplies. The Organization's practice is to present the donated food and supplies inventory at sixty-six percent of their fair value.

Inventory - Gift Shop

Gift shop inventory consists of items for sale through the Organization gift shop. They are stated at the lower of cost (first-in, first-out) or net realizable value.

In-Kind Donations

In-kind donations are reflected at their fair value at date of donation. In-kind donations of food are reflected at sixty-six percent of their fair value at date of donation. All in-kind donations are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2017, and the date the financial statements were available to be issued.

**GLEANINGS FOR THE HUNGRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

2. 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 and is valued at sixty-six percent of fair market value. The value of donated inventory is determined by a year end count of units on hand multiplied by sixty-six percent of the fair market (wholesale) price per unit. The gift store inventory is stated at the lower of cost or net realizable value (first-in, first-out).

Inventory consisted of the following as of December 31, 2016:

|                         |                   |
|-------------------------|-------------------|
| Donated Food            | \$ 925,027        |
| Donated Supplies        | <u>44,779</u>     |
| Donated Inventory Total | <u>\$ 969,806</u> |
| Gift Shop Inventory     | <u>\$ 10,478</u>  |

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2016:

|                            | Balance<br>1/1/16   | Additions        | Deletions        | Balance<br>12/31/16 |
|----------------------------|---------------------|------------------|------------------|---------------------|
| Land                       | \$ 211,750          | \$ -             | \$ -             | \$ 211,750          |
| Buildings                  | 1,053,040           | 55,358           | -                | 1,108,398           |
| Construction In Progress   | -                   | 2,334            | -                | 2,334               |
| Property Improvements      | 1,952,386           | -                | -                | 1,952,386           |
| Furniture & Fixtures       | 81,890              | 3,435            | -                | 85,325              |
| Equipment                  | 465,460             | 4,740            | 12,222           | 457,978             |
| Computers                  | 16,051              | -                | -                | 16,051              |
| Vehicles                   | 193,258             | 12,350           | 8,000            | 197,608             |
|                            | 3,973,835           | <u>\$ 78,217</u> | <u>\$ 20,222</u> | 4,031,830           |
| Accumulated Depreciation   | 1,915,919           | <u>\$ 90,923</u> | <u>\$ 20,222</u> | 1,986,620           |
| Net Property and Equipment | <u>\$ 2,057,916</u> |                  |                  | <u>\$ 2,045,210</u> |

**GLEANINGS FOR THE HUNGRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

4. Loss on Sales to the Public

Sales to the public include merchandise sales. Cost of sales to the public include costs of merchandise. Loss on sales to the public for the year ended December 31, 2016 is as follows:

|                             |    |                     |
|-----------------------------|----|---------------------|
| Sales to the Public         | \$ | 18,659              |
| Cost of Sales to the Public |    | <u>(19,238)</u>     |
|                             | \$ | <u><u>(579)</u></u> |

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. 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 restriction.

Temporarily restricted net assets consists of the following at December 31, 2016:

|                           |    |                      |
|---------------------------|----|----------------------|
| Austin Rivera - Cambodia  | \$ | 225                  |
| Mission of Grace - Haiti  |    | 4,435                |
| Children of Grace - SACH  |    | 225                  |
| God's Plan Orphanage      |    | 268                  |
| Sower's Kids              |    | 701                  |
| Hope of the Nations       |    | 13,655               |
| Uzbekistan                |    | 4,751                |
| Mission Outreach - Haiti  |    | 10,035               |
| Mission Outreach - Greece |    | 3,714                |
| Mission Outreach - Staff  |    | 3,200                |
| Solar Project             |    | <u>58,445</u>        |
|                           | \$ | <u><u>99,654</u></u> |

**GLEANINGS FOR THE HUNGRY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

6. Functional Expense Allocations

The cost of providing services and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimates developed by management. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

7. Prior Year Adjustments

|   |                            |
|---|----------------------------|
| The Organization's donated food inventory was overvalued, which resulted in an overstatement.                           | \$ 1,046,330               |
| The Organization was erroneously carrying an unidentified asset and liability on their statement of financial position. | <u>6,960</u>               |
| Total Prior Year Adjustments  | \$ <u><u>1,053,290</u></u> |