

GLEANINGS FOR THE HUNGRY, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANT'S REPORT
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Gleanings for the Hungry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2016 Financial Statements

The 2016 financial statements were audited by us and we expressed an unmodified opinion on them in our report dated June 28, 2017. We have not performed any auditing procedures since that date.

Pine, Pedroncelli & Aguilar, Inc

Visalia, California
May 21, 2018

GLEANINGS FOR THE HUNGRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

ASSETS	2017 <u>(Unaudited)</u>	2016 <u>(Audited)</u>
CURRENT ASSETS		
Cash	\$ 270,616	\$ 508,835
Receivables	-	18,206
Inventory - Food and Supplies	947,035	969,806
Inventory - Gift Shop	<u>7,179</u>	<u>10,478</u>
Total Current Assets	1,224,830	1,507,325
PROPERTY AND EQUIPMENT, NET	<u>2,417,395</u>	<u>2,045,210</u>
TOTAL ASSETS	<u>\$ 3,642,225</u>	<u>\$ 3,552,535</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ <u>17,589</u>	\$ <u>42,423</u>
Total Liabilities	<u>17,589</u>	<u>42,423</u>
NET ASSETS		
Unrestricted	3,586,989	3,410,458
Temporarily Restricted	<u>37,647</u>	<u>99,654</u>
Total Net Assets	<u>3,624,636</u>	<u>3,510,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,642,225</u>	<u>\$ 3,552,535</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, 2017 (UNAUDITED) AND 2016 (AUDITED)

	2017		2016	
	(Unaudited)		(Audited)	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Unrestricted	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS				
SUPPORT				
Contributions - General	\$ 626,932	\$ 721,139	\$ 1,348,071	\$ 333,446
Mission Contributions	50,930	143,832	194,762	157,677
Donated Food and Supplies	4,899,231	-	4,899,231	-
Total Support	5,577,093	864,971	6,442,064	491,123
REVENUE				
Staff, Student and Group Fees	146,128	-	146,128	-
Loss on Gift Shop Sales	(6,597)	-	(6,597)	-
Interest Income	545	-	545	-
Other Income	52,804	-	52,804	-
TOTAL REVENUE	192,880	-	192,880	-
TOTAL SUPPORT AND REVENUE	5,769,973	864,971	6,634,944	491,123
NET ASSETS RELEASED FROM RESTRICTIONS	926,978	(926,978)	407,031	(407,031)
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	6,696,951	(62,007)	6,634,944	84,092
			8,628,122	8,712,214

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, 2017 (UNAUDITED) AND 2016 (AUDITED)

	2017		2016	
	(Unaudited)		(Audited)	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Unrestricted	Total
EXPENSES				
Program Services	\$ 6,262,779	\$ -	\$ 6,262,779	\$ 8,594,265
Supporting Services				
Management and General	229,889	-	229,889	203,642
Fundraising	59,125	-	59,125	61,077
TOTAL EXPENSES	<u>6,551,793</u>	<u>-</u>	<u>6,551,793</u>	<u>8,858,984</u>
CHANGE IN NET ASSETS	145,158	(62,007)	83,151	(146,770)
NET ASSETS, Beginning of the Year	3,410,458	99,654	3,510,112	4,710,172
RECLASSIFICATION OF PRIOR YEAR NET ASSET BALANCES	-	-	-	15,562
PRIOR YEAR ADJUSTMENT	31,373	-	31,373	(1,053,290)
NET ASSETS, End of the Year	<u>\$ 3,586,989</u>	<u>\$ 37,647</u>	<u>\$ 3,624,636</u>	<u>\$ 3,510,112</u>

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

GLEANINGS FOR THE HUNGRY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

	2017			2016				
	(Unaudited)			(Audited)				
	Support Services			Support Services				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automotive	\$ 25,644	\$ 11,313	\$ 754	\$ 37,711	\$ 31,784	\$ 14,022	\$ 935	\$ 46,741
Bank Charges	6,049	3,024	1,008	10,081	5,260	2,630	877	8,767
Contributions and Mission Support	433,099	9,023	9,023	451,145	424,882	8,852	8,852	442,586
Food Donations	4,834,452	-	-	4,834,452	7,577,557	-	-	7,577,557
Depreciation	61,572	26,388	-	87,960	63,646	27,277	-	90,923
Dues and Subscriptions	289	72	-	361	-	-	-	-
Food and Supplies	85,520	24,435	12,217	122,172	78,770	22,506	11,253	112,529
Housing Supplies	261,677	-	-	261,677	35,149	-	-	35,149
Insurance	26,335	6,753	675	33,763	24,653	6,321	633	31,607
Legal and Accounting	-	22,500	-	22,500	-	19,800	-	19,800
Maintenance and Repairs	74,884	16,849	1,872	93,605	62,428	16,007	1,601	80,036
Office Supplies	8,393	9,527	4,763	22,683	11,998	13,619	6,810	32,427
Outreach and Discipleship Training	134,153	-	-	134,153	63,144	-	-	63,144
Plant Supplies	186,032	49,609	12,402	248,043	110,469	29,470	7,367	147,306
Printing	6,104	1,526	7,631	15,261	7,008	1,752	8,759	17,519
Promotion	751	501	3,757	5,009	1,104	736	5,518	7,358
Taxes and Licenses	8,501	945	-	9,446	7,499	833	-	8,332
Telephone	4,797	1,107	1,476	7,380	5,823	1,344	1,792	8,959
Travel	13,359	6,679	2,226	22,264	915	2,745	5,490	9,150
Utilities	91,168	39,638	1,321	132,127	82,176	35,728	1,190	119,094
TOTAL EXPENSES	\$ 6,262,779	\$ 229,889	\$ 59,125	\$ 6,551,793	\$ 8,594,265	\$ 203,642	\$ 61,077	\$ 8,858,984

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, 2017 (UNAUDITED) AND 2016 (AUDITED)

	<u>2017</u> <u>(Unaudited)</u>	<u>2016</u> <u>(Audited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 83,151	\$ (146,770)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Depreciation	87,960	90,923
Prior Year Adjustment	-	(1,053,290)
Gain on Sale of Assets	-	(900)
Gain on Sale of Investments	-	(66)
Decrease in Donated Inventory	22,771	1,231,938
Decrease in Gift Shop Inventory	3,299	1,707
Decrease (Increase) in Receivables	18,206	(18,206)
Increase (Decrease) in Accounts Payable	<u>(24,834)</u>	<u>31,353</u>
Net Cash Flows Provided by Operating Activities	<u>190,553</u>	<u>136,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of Property and Equipment	(428,772)	(78,217)
Acquisition of Investments	-	(2,468)
Proceeds from Sale of Assets	-	900
Proceeds from Sale of Investments	<u>-</u>	<u>2,534</u>
Net Cash Used by Investing Activities	<u>(428,772)</u>	<u>(77,251)</u>
Net Increase (Decrease) in Cash	(238,219)	59,438
Cash - Beginning of Period	<u>508,835</u>	<u>449,397</u>
CASH - END OF PERIOD	<u>\$ 270,616</u>	<u>\$ 508,835</u>
SUPPLEMENTARY INFORMATION:		
NONCASH INVESTING ACTIVITY:		
Donated Property and Equipment	\$ <u>3,134</u>	\$ <u>6,850</u>

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

GLEANINGS FOR THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

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, 2017 and 2016, the Organization exceeded the insured limit by approximately \$0 and \$19,060, respectively.

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 years ended December 31, 2017 and 2016 was \$87,960 and \$90,923, respectively. 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, 2017 (UNAUDITED) AND 2016 (AUDITED)

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 May 21, 2018, and the date the financial statements were available to be issued.

GLEANINGS FOR THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

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:

	12/31/17 (Unaudited)	12/31/16 (Audited)
Donated Food	\$ 875,471	\$ 925,027
Donated Supplies	<u>71,564</u>	<u>44,779</u>
Donated Inventory Total	<u>\$ 947,035</u>	<u>\$ 969,806</u>
Gift Shop Inventory	<u>\$ 7,179</u>	<u>\$ 10,478</u>

3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2017:

	Balance 12/31/16 (Audited)	Additions	Prior Year Adjustment	Balance 12/31/17 (Unaudited)
Land	\$ 211,750	\$ -	\$ -	\$ 211,750
Buildings	1,108,398	-	-	1,108,398
Construction In Progress	2,334	-	-	2,334
Property Improvements	1,952,386	412,417	-	2,364,803
Furniture & Fixtures	85,325	-	-	85,325
Equipment	457,978	15,123	-	473,101
Computers	16,051	1,232	-	17,283
Vehicles	<u>197,608</u>	<u>-</u>	<u>34,860</u>	<u>232,468</u>
	4,031,830	<u>\$ 428,772</u>	<u>\$ 34,860</u>	4,495,462
Accumulated Depreciation	<u>1,986,620</u>	<u>\$ 87,960</u>	<u>\$ 3,487</u>	<u>2,078,067</u>
Net Property and Equipment	<u>\$ 2,045,210</u>			<u>\$ 2,417,395</u>

GLEANINGS FOR THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

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 years ended December 31, 2017 (Unaudited) and 2016 (Audited), is as follows:

	<u>12/31/17</u> (Unaudited)	<u>12/31/16</u> (Audited)
Sales to the Public	\$ 20,474	\$ 18,659
Cost of Sales to the Public	<u>(27,071)</u>	<u>(19,238)</u>
	<u>\$ (6,597)</u>	<u>\$ (579)</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:

	<u>12/31/17</u> (Unaudited)	<u>12/31/16</u> (Audited)
Austin Rivera - Cambodia	\$ 150	\$ 225
Mission of Grace - Haiti	2,234	4,435
Children of Grace - SACH	150	225
God's Plan Orphanage	115	268
Sower's Kids	1,618	701
Hope of the Nations	100	13,655
Uzbekistan	4,412	4,751
Mission Outreach - Haiti	23,133	10,035
Mission Outreach - Greece	-	3,714
Mission Outreach - Staff	5,735	3,200
Solar Project	<u>-</u>	<u>58,445</u>
	<u>\$ 37,647</u>	<u>\$ 99,654</u>

GLEANINGS FOR THE HUNGRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 (UNAUDITED) AND 2016 (AUDITED)

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

During 2015 the Organization's donated food inventory was overvalued, which resulted in an overstatement. \$ 1,046,330

During 2015 the Organization was erroneously carrying an unidentified asset and liability on their statement of financial position. 6,960

2016 (Audited) Prior Year Adjustments: \$ 1,053,290

During 2017 it was discovered that the Organization purchased a piece of equipment in 2015, that was not previously capitalized as a fixed asset in accordance with their capitalization policy.

Cost: \$ 34,860
 Depreciation: (3,487)

2017 (Unaudited) Prior Year Adjustment: \$ 31,373