

Food Bank of South Central Michigan, Inc.

Financial Statements
Years Ended December 31, 2018 and 2017

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Food Bank of South Central Michigan, Inc.

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Years Ended December 31, 2018 and 2017

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Report of Independent Accountants

To the Board of Directors
Food Bank of South Central Michigan, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of South Central Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, of functional expenses, and of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 Food Bank of South Central Michigan, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2019, on our consideration of Food Bank of South Central Michigan, Inc.'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 Food Bank of South Central Michigan, Inc.'s internal control over financial reporting and compliance.



FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan
May 8, 2019

Food Bank of South Central Michigan, Inc.

Statement of Financial Position

December 31,	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$1,066,129	\$1,055,666
Certificates of deposit	1,105,479	1,003,846
Accounts receivable	104,380	97,997
Accounts receivable - federal	48,408	0
Grant receivable	0	0
United Way receivable	128,251	142,020
Grants receivable - community foundations	53,289	48,510
Interest receivable	600	600
Beneficial interest in assets held by community foundations (Note 6)	30,593	27,642
Inventory - Donated (Note 3)	454,141	565,094
Inventory - USDA (Note 3)	395,037	115,929
Inventory - Purchased	171,218	151,980
Employee advance	0	85
Prepaid expenses	14,872	12,128
Total current assets	3,572,397	3,221,497
Grant receivable - long term	0	12,500
Beneficial interest in assets held by community foundations (Note 6)	70,435	81,437
Investments (Note 2)	965,360	1,064,176
Fixed assets, net (Note 4)	969,725	1,101,482
Total assets	\$5,577,917	\$5,481,092
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 80,389	\$ 117,440
Accrued vacation	22,709	30,681
Accrued payroll	73,817	43,525
Other accrued expenses	6,506	9,329
Deferred revenue	410,123	484,499
Total current liabilities	593,544	685,474
Net Assets		
Without Donor Restrictions (Note 2)	4,574,062	4,333,301
With Donor Restrictions (Note 1)	410,311	462,317
Total net assets	4,984,373	4,795,618
Total liabilities and net assets	\$5,577,917	\$5,481,092

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

Food Bank of South Central Michigan, Inc.

Statement of Activities Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Products donated and distributed:			
USDA	\$ 2,110,655	\$ 0	\$ 2,110,655
In kind contributions (Note 3)	9,429,096	0	9,429,096
Less: value of products distributed:			
USDA	(1,831,546)	0	(1,831,546)
In-kind contributions	(9,540,049)	0	(9,540,049)
Excess of products distributed over products donated	168,156	0	168,156
Support, revenue, and reclassifications:			
United Way	161,701	0	161,701
Donations and grants	1,614,388	230,361	1,844,749
Food Bank Council of Michigan	139,000	0	139,000
Fund raising	23,053	0	23,053
Program service fees	936,742	0	936,742
Interest/dividend income	100,235	0	100,235
Unrealized gain/(loss) on investments (Note 2)	(180,276)	0	(180,276)
Realized gain/(loss) on asset disposal	2,375	0	2,375
Change in beneficial interest	(8,052)	0	(8,052)
Miscellaneous	2,143	0	2,143
Net assets released from restrictions	282,367	(282,367)	0
Total support, revenue, and reclassifications	3,073,676	(52,006)	3,021,670
Expenses:			
Program operations	2,489,256	0	2,489,256
Management and general	391,678	0	391,678
Fund raising	120,137	0	120,137
Total expenses	3,001,071	0	3,001,071
Change in net assets	240,761	(52,006)	188,755
Net assets, at beginning of year	4,333,301	462,317	4,795,618
Net assets, at end of year	\$ 4,574,062	\$ 410,311	\$ 4,984,373

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

Food Bank of South Central Michigan, Inc.

Statement of Activities Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Products donated and distributed:			
USDA	\$ 1,797,491	\$ 0	\$ 1,797,491
In kind contributions (Note 3)	9,847,819	0	9,847,819
Less: value of products distributed:			
USDA	(2,058,762)	0	(2,058,762)
In-kind contributions	(9,962,635)	0	(9,962,635)
Excess of products distributed over products donated	(376,087)	0	(376,087)
Support, revenue, and reclassifications:			
United Way	205,273	0	205,273
Donations and grants	1,299,456	339,552	1,639,008
Food Bank Council of Michigan	114,704	0	114,704
Fund raising	43,549	0	43,549
Program service fees	849,004	0	849,004
Interest/dividend income	68,618	0	68,618
Unrealized gain/(loss) on investments (Note 2)	98,627	0	98,627
Realized gain/(loss) on asset disposal	18,840	0	18,840
Change in beneficial interest	13,723	0	13,723
Miscellaneous	2,599	0	2,599
Net assets released from restrictions	244,353	(244,353)	0
Total support, revenue, and reclassifications	2,958,746	95,199	3,053,945
Expenses:			
Program operations	2,508,910	0	2,508,910
Management and general	306,293	0	306,293
Fund raising	162,460	0	162,460
Total expenses	2,977,663	0	2,977,663
Change in net assets	(395,004)	95,199	(299,805)
Net assets, at beginning of year	4,728,305	367,118	5,095,423
Net assets, at end of year	\$ 4,333,301	\$ 462,317	\$ 4,795,618

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

Food Bank of South Central Michigan, Inc.

Statement of Functional Expenses Year Ended December 31, 2018

	Program Operations	Management and General	Fund raising	Total
Operating expenses				
Salaries	\$ 661,100	\$ 239,020	\$ 48,373	\$ 948,493
Payroll taxes and benefits (Note 5)	193,688	70,028	14,172	277,888
Total payroll related expenses	854,788	309,048	62,545	1,226,381
Food - purchased	1,068,677	0	0	1,068,677
Outside services	48,794	17,962	3,724	70,480
Professional fees	7,650	24,225	0	31,875
Supplies and office	28,784	1,354	306	30,444
Telephone and internet	6,593	2,384	482	9,459
Postage and shipping	36,506	378	853	37,737
Utilities	57,189	6,453	1,779	65,421
Transportation and travel	129,717	1,445	233	131,395
Conferences and meetings	1,587	1,523	96	3,206
Membership dues	35,072	0	0	35,072
Miscellaneous	0	5,052	0	5,052
Maintenance	64,461	2,044	504	67,009
Insurance	7,125	2,452	578	10,155
Fund raising	0	0	44,788	44,788
Total operating expenses before depreciation	2,346,943	374,320	116,888	2,837,151
Depreciation	142,313	17,358	4,249	163,920
Total operating expenses	\$ 2,489,256	\$ 391,678	\$ 120,137	\$3,001,071

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

Food Bank of South Central Michigan, Inc.

Statement of Functional Expenses Year Ended December 31, 2017

	Program Operations	Management and General	Fund raising	Total
Operating expenses				
Salaries	\$ 693,269	\$ 192,575	\$ 77,030	\$ 962,874
Payroll taxes and benefits (Note 5)	230,559	54,589	21,515	306,663
Total payroll related expenses	923,828	247,164	98,545	1,269,537
Food - purchased	941,861	0	0	941,861
Outside services	23,168	9,877	11,074	44,119
Professional fees	0	15,500	0	15,500
Supplies and office	16,334	1,094	438	17,866
Telephone and internet	7,018	1,571	734	9,323
Postage and shipping	91,992	440	1,439	93,871
Utilities	56,923	3,673	612	61,208
Transportation and travel	131,909	889	898	133,696
Conferences and meetings	8,548	100	2,326	10,974
Membership dues	34,798	0	0	34,798
Miscellaneous	0	5,879	25	5,904
Maintenance	81,505	1,111	518	83,134
Insurance	12,217	2,735	1,278	16,230
Fund raising	626	50	38,089	38,765
Total operating expenses before depreciation	2,330,727	290,083	155,976	2,776,786
Depreciation	178,183	16,210	6,484	200,877
Total operating expenses	\$ 2,508,910	\$ 306,293	\$ 162,460	\$2,977,663

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

Food Bank of South Central Michigan, Inc.

Statement of Cash Flows

Years ended December 31,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 188,755	\$ (299,805)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	163,920	200,877
Loss (gain) on sale of assets	(2,375)	(18,840)
Unrealized (gain) loss on investments	179,857	(98,627)
Change in beneficial interest in assets	8,051	(13,723)
(Increase) decrease in:		
Accounts and United Way receivables	(41,022)	11,658
Grants receivable - community foundations	(4,779)	(4,432)
Grant receivable	12,500	0
Inventory	(187,393)	401,018
Employee advance	85	3,888
Prepaid expenses	(2,744)	8,267
Increase (decrease) in:		
Accounts payable	(37,051)	46,932
Accrued vacation	(7,972)	5,908
Accrued payroll	30,292	2,698
Other accrued expenses	(2,823)	2,774
Deferred revenue	(74,376)	(28,658)
Net cash provided by operating activities	222,925	219,935
Cash flows from investing activities:		
Purchase of fixed assets	(32,163)	(149,250)
Proceeds on sale of fixed assets	0	24,900
Purchase of certificates of deposits	(101,633)	(1,312)
Proceeds from sale of investments	50,000	50,000
Purchase of investments	(128,666)	(105,996)
Net cash used in investing activities	(212,462)	(181,658)
Net increase in cash and cash equivalents	10,463	38,277
Cash and cash equivalents, at beginning of year	1,055,666	1,017,389
Cash and cash equivalents, at end of year	\$1,066,129	\$1,055,666

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

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies

Statement of Purpose - Food Bank of South Central Michigan, Inc. (the "Organization") purpose is to glean, collect, warehouse and facilitate the distribution of food, to have the right to receive donations for the purpose of adequately conducting and maintaining such facilities and to purchase, manage, own, lease or rent facilities that may be necessary or convenient for the purpose of operation as a community food bank. The Organization charges a shared maintenance fee for food distributed to other non-profit agencies within south central Michigan. Shared maintenance fees are based on the operating costs of the food bank and are charged on a per pound basis.

The Organization does not require any collateral on its accounts receivable from member agencies throughout south central Michigan.

Use of Estimates - The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported support, revenue and expenses. Actual results could differ from those estimates.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - The Organization considers its investments in money market funds and certificates of deposit to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Fixed Assets - Fixed assets are recorded at cost or at the value at the time of donation, less accumulated depreciation, which is computed using the straight-line method over the following estimated useful lives:

Vehicles	5-7 years
Furniture and equipment	3-10 years
Building	31.5 years
Land improvements	15 years

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

Costs of maintenance and repairs are charged to expense when incurred; renewals and improvements greater than \$1,000 are capitalized. The cost and related accumulated depreciation of equipment sold or otherwise retired are removed from the accounts and related gains or losses are reflected in income.

Tax Status - The Organization is exempt from federal income taxes as a non-profit organization under the Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Tax returns remain statutorily open for review by tax authorities.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, volunteers donated many hours of service during the years ended December 31, 2018 and 2017 to the operation of the Organization including organizational mailings, packing of groceries, and other miscellaneous services.

Affiliated Organizations - The Organization is a certified affiliate of Feeding America, a national network of food banks throughout the country, and is affiliated with the Food Bank Council of Michigan, an organization that supports member food banks through funding and food allocation. The Organization receives a substantial amount of its food from Feeding America (46% and 48% in 2018 and 2017, respectively) and Food Bank Council of Michigan (16% and 15% in 2018 and 2017, respectively), at minimal cost which is distributed to other organizations for a service fee. Additionally, the Organization receives substantial support from various United Ways.

As an affiliate of Feeding America, the Organization is required to maintain a reserve fund equal to or greater than 25% of annual operating expenses.

Related Party - The Organization hired the finance director's father as a utility truck driver. Total payments for services were \$19,030 and \$17,965 in 2018 and 2017, respectively.

Uninsured Cash Balances - The Organization has bank deposits in excess of the limits insured through the Federal Depository Insurance Company of \$647,281 and \$511,464 at December 31, 2018 and 2017, respectively.

Deferred Revenue - Deferred revenue consists of funds received by the Organization for future food distributions for specific member agencies.

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

Cost Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, therefore, these expenses require allocation of a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated primarily on the basis of their time and effort. Utilities are allocated using the square footage of the warehouse and office.

The following table summarizes the nature of the expense and how it's allocated across programs and supporting functions:

Percentage of Allocated Salaries	Percentage of Pounds Distributed
<ul style="list-style-type: none"> - Contract services - Depreciation - office/building - Insurance - Conferences - Telephone - Bank fees - Office supplies 	<ul style="list-style-type: none"> - Program supplies - Freight - Repair and maintenance-warehouse - Facility maintenance - Dues and subscriptions - Depreciation-warehouse/equipment - Miscellaneous expenses

Net Assets with Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The net assets with donor restrictions are restricted as follows:

December 31,	2018	2017
Childhood Hunger and backpack program	\$ 141,083	\$ 120,603
Fresh food initiative	1,650	58,734
Food purchases	14,720	20,700
Warehouse improvements and transportation	130,829	118,559
For subsequent years' operating/program expenses	122,029	143,721
	\$ 410,311	\$ 462,317

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

1. Nature of Entity and Significant Accounting Policies - Continued

Accounting Pronouncements -

Not-for-Profit Entities - The Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the ASU in 2018 and retrospectively applied the standard to the prior year with minimal reclassifications or restatements.

Leases - The Financial Accounting Standards Board issued Topic 842 "Leases", a new accounting for leases that will be effective in 2020. A lessor should recognize in the statement of financial position a liability for the present value of leases and an right of use asset representing its right to use the asset over the lease term. The Organization will implement the new standard in 2020.

Financial Instruments - In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which makes targeted improvements in the recognition, measurement, presentation, and disclosure of financial instruments. For nonprofit organizations, ASU 2016-01 is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Generally, nonprofit organizations may adopt the provisions of the ASU earlier as of fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. However, the ASU allows nonprofit organizations the option to (1) adopt the presentation guidance in FASB ASC 825-10-45-5 through 45-7 regarding financial liabilities for which the fair value option is elected and (2) not disclose the information regarding the fair value of financial instruments set forth in FASB ASC 825-10-50 in financial statements of fiscal years or interim periods that have not yet been made available for issuance.

Subsequent Events - Subsequent events have been evaluated through May 8, 2019, which is the date the financial statements were available to be issued.

2. Investments

Investments - Investments are valued at market as determined by stock market quotations and by savings bond redemption values at December 31, 2018 and 2017. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

2. Investments - Continued

The major types of investments are as follows:

December 31, 2018	Market Value	Cost
United States Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	963,360	791,138
	<u>\$ 965,360</u>	<u>\$ 793,138</u>

December 31, 2017	Market Value	Cost
United States Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	1,062,176	710,097
	<u>\$1,064,176</u>	<u>\$ 712,097</u>

All investments are considered long term and are held to earn investment income. All investment income, realized and unrealized gains (losses), are shown as unrestricted in the Statement of Activities as all investments are unrestricted.

3. Inventory

Inventory includes food items that were purchased at cost and donated product valued at a per pound rate as determined by Feeding America at the national level on a first-in first-out (FIFO) basis.

Donated product and inventory are valued in accordance with FASB Accounting Standard Codification 958, NPO Entities. In kind contributions includes donated product in the amount of \$9,429,096 and \$9,847,819 for 2018 and 2017, based primarily on \$1.68 and \$1.73 per pound value, respectively. At December 31, 2018 and 2017, donated inventory values are \$454,141 and \$565,094, and was primarily valued at \$1.68 and \$1.73 per pound, respectively. Additionally, the in kind contribution includes USDA donated product in the amount of \$2,120,655 and \$1,797,491 for 2018 and 2017, respectively. The USDA product is valued at published value per pound. At December 31, 2018 and 2017, USDA donated inventory values are \$395,037 and \$115,929, respectively, and was primarily valued at 1.57 and \$1.52 per pound, respectively. Increases and decreases in inventory levels may have a significant impact on the net increase (decrease) of the Organization's net assets.

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

4. Fixed Assets

Fixed assets are comprised of the following:

December 31,	2018	2017
Land	\$ 10,000	\$ 10,000
Land improvements	72,630	72,630
Building	1,629,403	1,629,403
Furniture and equipment	923,110	910,153
Vehicles	677,531	713,374
	3,312,674	3,335,560
Less - accumulated depreciation	(2,342,949)	(2,234,078)
	<u>\$ 969,725</u>	<u>\$ 1,101,482</u>

5. Defined Contribution Plan

The Organization has a defined contribution 403(b) plan covering full time employees over age 21 who have attained 1,000 hours of service within a twelve month period. Contributions are made at a percent determined annually by the Board of each employee's gross annual pay. For the years ended December 31, 2018 and 2017, the Organization's contribution rate was 4%. For 2018 and 2017, the board approved a match of 100% for those employees deferring up to 6% of their wages. Contributions totaled \$52,351 and \$52,803 for the years ended December 31, 2018 and 2017, respectively.

6. Beneficial Interest in Assets Held by Community Foundations

Beneficial interest in assets represents pooled fund investments with community foundations. The pooled funds consist of mutual funds, corporate stocks and bonds, U.S. government securities, and other investments.

Beneficial interest results when a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund. The foundation maintains unilateral variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets and offsetting liabilities of the foundation. Funds are distributed based on spending rate policies. In accordance with FASB Accounting Standards Codification 958-605, Transfers of Assets to a NPO or Charitable Trust that Raises or Holds Contributions for Others, an asset has been established for the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. Beneficial interest in assets is comprised of the following:

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

6. Beneficial Interest in Assets Held by Community Foundations
- Continued

December 31,	2018	2017
Funds held at Battle Creek Community Foundation	\$36,474	\$38,884
Funds held at Kalamazoo Community Foundation	55,217	60,082
Funds held at Jackson Community Foundation	9,337	10,113
	<u>\$101,028</u>	<u>\$109,079</u>
December 31,	2018	2017
Beginning of year balance	\$109,079	\$95,356
Contributions	0	0
Net investment earnings, gains, and losses	(7,234)	14,367
Grants or scholarships	0	0
Administrative expenses	(817)	(644)
	<u>\$101,028</u>	<u>\$109,079</u>

7. Endowment Funds

The Organization has endowment funds administered by various community foundations. These funds are irrevocably invested and are managed by the foundations for a fee. The principal balances, including accumulated earnings of these funds at December 31, 2018 and 2017 amounted to \$89,082 and \$102,315, respectively. The foundations have variance power over the donor designated funds and may, at their discretion vary the purpose, use or method of administration of the funds. Earnings on these funds, as determined by the foundations, are available annually for distribution to the Organization for operations, at the discretion of the foundations, and therefore, are not reflected in the Organization's financial statements until available for distribution.

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

December 31,	2018	2017
Financial assets at year-end	\$ 3,572,924	\$3,534,394
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for warehouse improvements and transportation	(130,829)	(118,559)
Non spendable portion of beneficial interest	(89,082)	(102,315)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,353,013</u>	<u>\$3,313,520</u>

Food Bank of South Central Michigan, Inc.

Notes to Financial Statements

8. Liquidity and Availability of Financial Assets - Continued

The Organization receives significant unrestricted contributions and restricted grants each year from donors, which are central to meet the annual cash needs for general expenditures. The Organization manages its liquidity and reserves in order to operate within a prudent range of financial soundness and stability and to fund near term and long-term needs utilizing budgets and monthly monitoring.

9. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

December 31, 2018	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	963,360	963,360
Total	\$ 965,360	\$ 965,360
December 31, 2017		
U.S. Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	1,062,176	1,062,176
Total	\$ 1,064,176	\$ 1,064,176

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.