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## **Financial Statements**

Gleanings from the Harvest  
For Galveston  
December 31, 2008 and 2007

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**Katherine Overbeck Maxwell**  
**Certified Public Accountant**

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**Katherine Overbeck Maxwell**  
Certified Public Accountant

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Independent Auditor's Report

To Board of Directors  
Gleanings from the Harvest

For Galveston

I have audited the accompanying statements of financial position of Gleanings from the Harvest for Galveston as of December 31, 2008 and December 31, 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Gleanings from the Harvest for Galveston's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gleanings from the Harvest for Galveston as of December 31, 2008 and December 31, 2007, 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.

*Katherine Overbeck Maxwell, CPA*

Galveston, Texas

November 15, 2009

**Gleanings from the Harvest for Galveston  
Statement of Financial Position  
December 31, 2008 and 2007**

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Total	Total	Total	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Temporary Cash Investments [Note 3]	\$ 20,565	\$ 131,616	\$ 78,105	\$ 191,150
Accounts Receivable, net	1,717	1,717	-	-
Prepaid Expenses	7,900	7,900	3,743	3,743
<b>Total Current Assets</b>	\$ 30,182	\$ 131,616	\$ 81,848	\$ 191,150
<b>PROPERTY AND EQUIPMENT, NET</b> [Note 5]	\$ 167,452	\$ -	\$ 58,687	\$ -
<b>OTHER ASSETS - RENT DEPOSIT</b>	500	500	500	500
<b>TOTAL ASSETS</b>	\$ 198,134	\$ 131,616	\$ 141,035	\$ 191,150
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,220	\$ -	\$ 139	\$ -
<b>NET ASSETS [NOTE 2]</b>	\$ 194,914	\$ 131,616	\$ 140,896	\$ 191,150
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 198,134	\$ 131,616	\$ 141,035	\$ 191,150

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston  
Statement of Activities  
For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>			<u>2007</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>						
<b>Public Support</b>						
Grants :	\$ -	\$ 156,647	\$ 156,647	\$ -	\$ 267,465	\$ 267,465
Contributions:						
Monetary	123,322	-	123,322	41,949	-	41,949
In Kind Donations [Note 7]						
Food Donations	7,145,384	-	7,145,384	743,825	-	743,825
Other Donated Services & Goods	5,060	-	5,060	8,750	-	8,750
Lone Star Voucher	-	3,074	3,074	-	4,933	4,933
Special events, net of \$435 (2008) and \$17,771 (2007) of expenses	15,124	-	15,124	60,199	-	60,199
<b>Total Public Support</b>	<u>\$ 7,288,890</u>	<u>\$ 159,721</u>	<u>\$ 7,448,611</u>	<u>\$ 854,723</u>	<u>\$ 272,398</u>	<u>\$ 1,127,122</u>
<b>Revenue</b>						
Program Service Fees [Note 4]	\$ 6,689	\$ -	\$ 6,689	\$ 19,879	\$ -	\$ 19,879
Investment Income	4,906	-	4,906	4,253	-	4,253
<b>Total Revenue</b>	<u>\$ 11,595</u>	<u>\$ -</u>	<u>\$ 11,595</u>	<u>\$ 24,132</u>	<u>\$ -</u>	<u>\$ 24,132</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS [NOTE 6]</b>	<u>\$ 219,255</u>	<u>\$ (219,255)</u>	<u>\$ -</u>	<u>\$ 275,389</u>	<u>\$ (275,389)</u>	<u>\$ -</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>\$ 7,519,740</u>	<u>\$ (59,534)</u>	<u>\$ 7,460,206</u>	<u>\$ 1,154,244</u>	<u>\$ (2,991)</u>	<u>\$ 1,151,254</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston**  
**Statement of Activities**  
**For the Years Ended December 31, 2008 and 2007**

	<b>2008</b>			<b>2007</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>EXPENSES</b>						
Salaries	\$ 110,123	\$ -	\$ 110,123	\$ 72,442	\$ -	\$ 72,442
Payroll Taxes	8,443	-	8,443	5,516	-	5,516
Business/Professional Expenses	2,060	-	2,060	3,361	-	3,361
Postage	523	-	523	314	-	314
Office Expense	6,353	-	6,353	6,267	-	6,267
Professional Fees	7,672	-	7,672	22,469	-	22,469
Rent	6,000	-	6,000	6,000	-	6,000
Telephone	2,668	-	2,668	3,732	-	3,732
Insurance	5,011	-	5,011	2,316	-	2,316
Van Maintenance	32,743	-	32,743	20,484	-	20,484
Building Maintenance	1,512	-	1,512	3,802	-	3,802
Equipment & Maintenance	68	-	68	-	-	-
Fundraising	1,000	-	1,000	909	-	909
Promotion/Development	14,539	-	14,539	6,630	-	6,630
Utilities	3,346	-	3,346	2,981	-	2,981
Warehouse	10,849	-	10,849	-	-	-
Food Ministries	7,219,806	-	7,219,806	817,624	-	817,624
Depreciation Expense	19,700	-	19,700	17,928	-	17,928
Loss From Hurricane Ike [Note 8]	13,306	-	13,306	-	-	-
<b>TOTAL EXPENSES</b>	<u>\$ 7,465,722</u>	<u>\$ -</u>	<u>\$ 7,465,722</u>	<u>\$ 992,775</u>	<u>\$ -</u>	<u>\$ 992,775</u>
<b>CHANGE IN NET ASSETS</b>	54,018	(59,534)	(5,516)	161,469	(2,991)	158,479
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>140,896</u>	<u>191,150</u>	<u>332,046</u>	<u>(20,573)</u>	<u>194,140</u>	<u>173,567</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 194,914</u>	<u>\$ 131,616</u>	<u>\$ 326,530</u>	<u>\$ 140,896</u>	<u>\$ 191,150</u>	<u>\$ 332,046</u>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston  
Statement of Cash Flows  
For the Years Ended December 31, 2008 and 2007**

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in Net Assets	\$ (5,516)	\$ 158,479
<b>Adjustments to reconcile net assets to net cash provided by (used in) operating activities:</b>		
Depreciation [Note 5]	19,700	17,928
(Increase) Decrease in Accounts Receivable	(1,717)	-
(Increase) Decrease in Prepaid Expenses	(4,157)	1,428
Increase (Decrease) in Accounts Payable	3,081	(2,592)
<b>Net Cash Provided By (used in) Operating Activities</b>	<b>16,907</b>	<b>16,764</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>Adjustments to reconcile net assets to net cash provided by (used in) Investing activities:</b>		
(Increase) Decrease in Property and Equipment	(128,465)	(52,514)
<b>Net Cash Provided By (used in) Investing Activities</b>	<b>(128,465)</b>	<b>(52,514)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(117,074)</b>	<b>122,730</b>
<b>CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR</b>	<b>269,255</b>	<b>146,525</b>
<b>CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR</b>	<b>\$ 152,181</b>	<b>\$ 269,255</b>

The accompanying notes to the financial statements are an integral part of this statement.

**Gleanings from the Harvest for Galveston**  
**Notes to the Financial Statements**  
**December 31, 2008 and 2007**

**Note 1: Organization**

Gleanings from the Harvest for Galveston (Gleanings) is an interfaith, community based organization dedicated to solving the problem of hunger in Galveston. Gleanings receives surplus food from restaurants, grocery stores, institutions that prepare meals, corporations that manufacture food products, food brokers and shippers. Gleanings stores and redistributes this food to its members- a network of organizations that have identified and can rapidly deliver this food to the hungry of Galveston. In this way a variety of nutritious food items can be made consistently available all year round to those who feed the needy.

Gleanings is an exempt organization for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code.

**Note 2: Summary of Significant Accounting Policies**

Gleanings financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. Temporarily Restricted Funds have been established to account for those resources available for use, but expendable only for the specific purpose or time frame specified by the donor.

**Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards (SFAS) No.117 and are in conformity with accounting principles generally accepted in the United States of America established for not-for profit organizations. Gleanings is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted net assets were held during the years ended, and accordingly, these financial statements do not reflect any activity related to this class of net assets for the years ended

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's 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 changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

**Compensable Absences**

Accumulated unpaid compensable absences are not accrued in the financial statements because the amount is not considered material at December 31, 2008.

**Gleanings from the Harvest for Galveston**  
**Notes to the Financial Statements**  
**December 31, 2008 and 2007**

**Note 3: Cash and Temporary Cash Investments**

Cash and Temporary Cash Investments at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 100	\$ 100
Checking Accounts	38,106	160,086
Money Market Accounts	79,975	28,069
Certificates of Deposit	<u>34,000</u>	<u>81,000</u>
Total Cash and Temporary Cash Investments	<u>\$ 152,181</u>	<u>\$ 269,255</u>

**Note 4: Program Service Fees**

Gleanings accounts for program service fees as exchange transactions rather than contributions. Exchange transactions are accounted for in the same manner as those for business enterprises; that is, they are recognized in the period in which the services are rendered.

Gleanings resells boxes of food to the working poor in Galveston at discounted rates.

**Note 5: Property and Equipment and Depreciation**

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at fair market value at the date of donation. Maintenance, repairs, and renewals which neither materially add to the value of the property or appreciably prolong its life are charged to expenses as incurred. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets. Property and Equipment are depreciated over 3 years.

Property and Equipment consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>
Vehicles	\$ 199,226	\$ 60,600
Fork Lift	4,500	3,900
Crown Lift	-	25,290
Office Equipment	6,871	4,847
Freezers	<u>-</u>	<u>1,080</u>
Total Property and Equipment	\$ 210,597	\$ 95,717
Less: Accumulated Depreciation	<u>(43,145)</u>	<u>(37,030)</u>
Property and Equipment, Net	<u>\$ 167,452</u>	<u>\$ 58,687</u>

**Gleanings from the Harvest for Galveston  
Notes to the Financial Statements  
December 31, 2008 and 2007**

**Note 6: Financial Statement Presentation for Unrestricted and Restricted Revenue and Support**

Revenue and Support received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Revenue and 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 revenue or support is recognized. All other donor-restricted revenue and support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 restrictions.

**Note 7: In Kind Donations**

The organization recognizes revenue for certain goods and services received at the fair value of those items. In Kind Donations include the following:

	2008	2007
Donated food	<u>\$ 7,145,384</u>	<u>\$ 743,825</u>
Freezers		1,080
Van Maintenance	260	142
Fundraising Services		2,728
Accounting Services	4,800	4,800
Total In Kind Donations	<u>\$ 7,150,444</u>	<u>\$ 752,575</u>

**Note 8: Hurricane Ike**

On September 13, 2008, Hurricane Ike hit Galveston flooding the Gleanings' offices with storm surge. The items listed below were destroyed by the hurricane. Insurance reimbursement totaled \$34,352

<u>Item</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
2007 Ford	\$ 24,185.00	\$ 2,687.22	\$ 21,497.78
1997 Van	4,500.00	1,625.00	2,875.00
Forklift	29,190.46	5,305.03	23,885.43
Scanner	1,224.00	1,224.00	-
Computer	4,164.00	4,164.00	-
Freezer	1,080.00	1,080.00	-
Total	<u>\$ 64,343.46</u>	<u>\$ 16,085.25</u>	<u>\$ 48,258.21</u>

INTERNAL REVENUE SERVICE  
P. O. BOX 2508  
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: MAY 24 2008

GLEANINGS FROM THE HARVEST FOR  
GALVESTON  
427 MARKET ST  
GALVESTON, TX 77550

Employer Identification Number:  
20-0408375  
DLN:  
17053111082044  
Contact Person:  
ROGER W VANCE ID# 31173  
Contact Telephone Number:  
(877) 829-5500  
Accounting Period Ending:  
December 31  
Foundation Status Classification:  
509(a)(1)  
Advance Ruling Period Begins:  
October 24, 2003  
Advance Ruling Period Ends:  
December 31, 2008  
Addendum Applies:  
No

Dear Applicant:

Based on information you supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably expect to be a publicly supported organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

Accordingly, during an advance ruling period you will be treated as a publicly supported organization, and not as a private foundation. This advance ruling period begins and ends on the dates shown above.

Within 90 days after the end of your advance ruling period, you must send us the information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, we will classify you as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, we will classify you as a private foundation for future periods. Also, if we classify you as a private foundation, we will treat you as a private foundation from your beginning date for purposes of section 507(d) and 4940.

Grantors and contributors may rely on our determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you send us the required information within the 90 days, grantors and contributors may continue to rely on the advance determination until we make

Letter 1045 (DC/CG)

GLEANINGS FROM THE HARVEST FOR

a final determination of your foundation status.

If we publish a notice in the Internal Revenue Bulletin stating that we will no longer treat you as a publicly supported organization, grantors and contributors may not rely on this determination after the date we publish the notice. In addition, if you lose your status as a publicly supported organization, and a grantor or contributor was responsible for, or was aware of, the act or failure to act, that resulted in your loss of such status, that person may not rely on this determination from the date of the act or failure to act. Also, if a grantor or contributor learned that we had given notice that you would be removed from classification as a publicly supported organization, then that person may not rely on this determination as of the date he or she acquired such knowledge.

If you change your sources of support, your purposes, character, or method of operation, please let us know so we can consider the effect of the change on your exempt status and foundation status. If you amend your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, let us know all changes in your name or address.

As of January 1, 1984, you are liable for social security taxes under the Federal Insurance Contributions Act on amounts of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the private foundation excise taxes under Chapter 42 of the Internal Revenue Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Internal Revenue Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Donors may deduct contributions to you only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, gives guidelines regarding when taxpayers may deduct payments for admission to, or other participation in, fundraising activities for charity.

You are not required to file Form 990, Return of Organization Exempt From Income Tax, if your gross receipts each year are normally \$25,000 or less. If you receive a Form 990 package in the mail, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally \$25,000 or less, and sign the return. Because you will be treated as a public charity for return filing purposes during your entire advance ruling period, you should file Form 990 for each year in your advance ruling period.

GLEANINGS FROM THE HARVEST FOR

that you exceed the \$25,000 filing threshold even if your sources of support do not satisfy the public support test specified in the heading of this letter.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed \$10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding \$1,000,000 in any year, the penalty is \$100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding \$1,000,000 shall not exceed \$50,000. This penalty may also be charged if a return is not complete. So, please be sure your return is complete before you file it.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You are required to make your annual information return, Form 990 or Form 990-EZ, available for public inspection for three years after the later of the due date of the return or the date the return is filed. You are also required to make available for public inspection your exemption application, any supporting documents, and your exemption letter. Copies of these documents are also required to be provided to any individual upon written or in person request without charge other than reasonable fees for copying and postage. You may fulfill this requirement by placing these documents on the Internet. Penalties may be imposed for failure to comply with these requirements. Additional information is available in Publication 557, Tax-Exempt Status for Your Organization, or you may call our toll free number shown above.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, we will assign a number to you and advise you of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

If we said in the heading of this letter that an addendum applies, the addendum enclosed is an integral part of this letter.

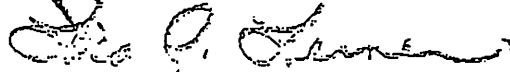
Because this letter could help us resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

GLEANINGS FROM THE HARVEST FOR

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,



Lois G. Lerner  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure(s):  
Form 872-C