

Financial Statements

Gleanings from the Harvest
For Galveston
December 31, 2009 and 2008



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Katherine Overbeck Maxwell
Certified Public Accountant

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, 2009 and December 31, 2008, 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, 2009 and December 31, 2008, 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

October 15, 2010

**Gleanings from the Harvest for Galveston
Statement of Financial Position
December 31, 2009 and 2008**

	2009		2008		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
ASSETS					
Current Assets					
Cash and Temporary Cash Investments (Note 3)	\$ 184,153	\$ 40,066	\$ 224,219	\$ 131,616	\$ 152,181
Accounts Receivable, net	-	-	-	-	1,717
Prepaid Expenses	<u>7,530</u>	<u>-</u>	<u>7,530</u>	<u>-</u>	<u>7,900</u>
Total Current Assets	<u>\$ 191,683</u>	<u>\$ 40,066</u>	<u>\$ 231,749</u>	<u>\$ 131,616</u>	<u>\$ 161,798</u>
PROPERTY AND EQUIPMENT, NET (Note 5)	\$ 300,308	-	\$ 300,308	-	\$ 167,452
OTHER ASSETS - DEPOSITS	<u>4,089</u>	<u>-</u>	<u>4,089</u>	<u>-</u>	<u>500</u>
TOTAL ASSETS	<u>\$ 496,080</u>	<u>\$ 40,066</u>	<u>\$ 536,146</u>	<u>\$ 131,616</u>	<u>\$ 329,750</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable	\$ 34,212	-	\$ 34,212	-	\$ 3,220
Payroll Liabilities	<u>95</u>	<u>-</u>	<u>95</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 34,307</u>	<u>-</u>	<u>\$ 34,307</u>	<u>-</u>	<u>\$ 3,220</u>
NET ASSETS (NOTE 2)	<u>\$ 461,773</u>	<u>\$ 40,066</u>	<u>\$ 501,839</u>	<u>\$ 131,616</u>	<u>\$ 326,530</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 496,080</u>	<u>\$ 40,066</u>	<u>\$ 536,146</u>	<u>\$ 131,616</u>	<u>\$ 329,750</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, 2009 and 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Public Support						
Grants :	\$ 364,331	\$ -	\$ 364,331	\$ 156,647	\$ -	\$ 156,647
Contributions:						
Monetary	102,644	-	102,644	123,322	-	123,322
In Kind Donations [Note 7]						
Food Donations	6,419,586	-	6,419,586	7,145,384	-	7,145,384
Other Donated Services & Goods	1,750	-	1,750	5,060	-	5,060
Lone Star Voucher	52	-	52	3,074	-	3,074
Special events, net of \$435 (2008) and \$10,319 (2009) of expenses	49,532	-	49,532	15,124	-	15,124
Total Public Support	\$ 6,937,895	\$ -	\$ 6,937,895	\$ 7,448,611	\$ -	\$ 7,448,611
Revenue						
Program Service Fees [Note 4]	\$ 6,163	\$ -	\$ 6,163	\$ 6,689	\$ -	\$ 6,689
CDBG Reimbursement	5,888	-	5,888	-	-	-
Investment Income	749	-	749	4,906	-	4,906
Total Revenue	\$ 12,800	\$ -	\$ 12,800	\$ 11,595	\$ -	\$ 11,595
Other Income						
FEMA Reimbursement	\$ 15,914	\$ -	\$ 15,914	\$ -	\$ -	\$ -
Insurance Proceeds	3,403	-	3,403	-	-	-
Gain on Disposition of van	17,050	-	17,050	-	-	-
Total Other Income	\$ 36,367	\$ -	\$ 36,367	\$ -	\$ -	\$ -
NET ASSETS RELEASED FROM RESTRICTIONS [NOTE 6]	\$ 91,550	\$ (91,550)	\$ -	\$ 59,534	\$ (59,534)	\$ -
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 7,078,612	\$ (91,550)	\$ 6,987,062	\$ 7,519,740	\$ (59,534)	\$ 7,460,206

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, 2009 and 2008**

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
EXPENSES						
Salaries	\$ 118,440	\$ -	\$ 118,440	\$ 110,123	\$ -	\$ 110,123
Payroll Taxes	11,211	-	11,211	8,443	-	8,443
Business/Professional Expenses	-	-	-	2,060	-	2,060
Postage	644	-	644	523	-	523
Office Expense	7,256	-	7,256	6,353	-	6,353
Professional Fees	13,044	-	13,044	7,672	-	7,672
Rent	5,500	-	5,500	6,000	-	6,000
Telephone	4,398	-	4,398	2,668	-	2,668
Insurance	9,957	-	9,957	5,011	-	5,011
Vehicle Maintenance	31,381	-	31,381	32,743	-	32,743
Building Maintenance	2,089	-	2,089	1,512	-	1,512
Equipment & Maintenance	8,105	-	8,105	68	-	68
Fundraising	-	-	-	1,000	-	1,000
Promotion/Development	11,260	-	11,260	14,539	-	14,539
Utilities	5,827	-	5,827	3,346	-	3,346
Warehouse	1,423	-	1,423	10,849	-	10,849
Food Ministries	6,527,843	-	6,527,843	7,219,806	-	7,219,806
Training/Education	1,218	-	1,218	-	-	-
Disaster Relief	8,035	-	8,035	-	-	-
Depreciation Expense	44,122	-	44,122	19,700	-	19,700
Loss From Hurricane Ike [Note 8]	-	-	-	13,306	-	13,306
TOTAL EXPENSES	<u>\$ 6,811,753</u>	<u>\$ -</u>	<u>\$ 6,811,753</u>	<u>\$ 7,465,722</u>	<u>\$ -</u>	<u>\$ 7,465,722</u>
CHANGE IN NET ASSETS	266,859	(91,550)	175,309	54,018	(59,534)	(5,516)
NET ASSETS, BEGINNING OF YEAR	<u>194,914</u>	<u>131,616</u>	<u>326,530</u>	<u>140,896</u>	<u>191,150</u>	<u>332,046</u>
NET ASSETS, END OF YEAR	<u><u>\$ 461,773</u></u>	<u><u>\$ 40,066</u></u>	<u><u>\$ 501,839</u></u>	<u><u>\$ 194,914</u></u>	<u><u>\$ 131,616</u></u>	<u><u>\$ 326,530</u></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, 2009 and 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 175,309	\$ (5,516)
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation [Note 5]	44,122	19,700
(Increase) Decrease in Accounts Receivable	1,717	(1,717)
(Increase) Decrease in Prepaid Expenses	370	(4,157)
(Increase) Decrease in Deposits	(3,589)	-
Increase (Decrease) in Accounts Payable	31,087	3,081
Net Cash Provided By (used In) Operating Activities	73,707	16,907
CASH FLOWS FROM INVESTING ACTIVITIES:		
Adjustments to reconcile net assets to net cash provided by (used in) investing activities:		
(Increase) Decrease in Property and Equipment	(176,978)	(128,465)
Net Cash Provided By (used In) Investing Activities	(176,978)	(128,465)
NET INCREASE (DECREASE) IN CASH	72,038	(117,074)
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	152,181	269,255
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	\$ 224,219	\$ 152,181

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, 2009 and 2008

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 Board 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 - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - include funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified, and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds. There \$40,066 in temporarily restricted net assets as of December 31, 2009. These funds are restricted for salary payments.

Permanently Restricted Net Assets - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Organization to expend part or all of the income derived from the donated assets. There are no permanently restricted net assets at the year ended December 31, 2009.

Gleanings from the Harvest for Galveston
Notes to the Financial Statements
December 31, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Pronouncement

FASB Accounting Standards Codification: In July 2009, the Financial Accounting Standards Board (FASB) issued accounting guidance to establish the FASB Accounting Standards Codification (ASC or Codification) to become the source of authoritative U.S. generally accepted accounting principles (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities. All other accounting literature not included in the Codification will be considered non-authoritative. The Codification does not change current U.S. GAAP. References to authoritative U.S. GAAP literature in the Organization's financial statements and the notes thereto in this report have been updated to include the new Codification.

In May 2009, the FASB issued guidance to establish general standards of accounting for and the disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date - that is, whether that date represents the date the financial statements were issued or were available to be issued. This guidance was adopted by the Organization in 2009 and did not have a material impact on the Organization's financial statements

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, 2009.

**Gleanings from the Harvest for Galveston
Notes to the Financial Statements
December 31, 2009 and 2008**

Note 3: Cash and Temporary Cash Investments

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

	<u>2009</u>	<u>2008</u>
Petty Cash	\$ 100	\$ 100
Checking Accounts	109,395	38,106
Money Market Accounts	97,724	79,975
Certificates of Deposit	<u>17,000</u>	<u>34,000</u>
Total Cash and Temporary Cash Investments	<u>\$ 224,219</u>	<u>\$ 152,181</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. The capitalization policy is to capitalize any purchase over \$1,000. Repairs and maintenance are expensed as incurred.

Property and Equipment consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Vehicles	\$ 199,226	\$ 199,226
Fork Lift	4,500	4,500
Office Equipment	6,871	6,871
Refrigeration Equipment	42,961	-
Lease hold Improvements - Texas City	<u>134,017</u>	<u>-</u>
Total Property and Equipment	\$ 387,575	\$ 210,597
Less: Accumulated Depreciation	<u>(87,267)</u>	<u>(43,145)</u>
Property and Equipment, Net	<u>\$ 300,308</u>	<u>\$ 167,452</u>

Gleanings from the Harvest for Galveston
Notes to the Financial Statements
December 31, 2009 and 2008

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:

	2009	2008
Donated food	\$ 6,419,586	\$ 7,145,384
Construction Supplies	1,750	-
Van Maintenance	-	260
Accounting Services	-	4,800
Total In Kind Donations	\$ 6,421,336	\$ 7,150,444

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	\$ 64,343.46	\$ 16,085.25	\$ 48,258.21

**Gleanings from the Harvest for Galveston
Notes to the Financial Statements
December 31, 2009 and 2008**

Note 9: Line of Credit

On 8/26/09 Gleanings secured an irrevocable line of credit with Moody National Bank for an amount not to exceed \$25,000 at 12% interest as part of the lease requirements from the City of Texas City for a maintenance reserve bond for the building at 624 4th Ave N. As of December 31, 2009 no funds were drawn against the line of credit. On March 17, 2010, the city amended the lease agreement and waived this requirement. The line of credit was closed.

Note 10: Lease Commitment

Gleanings entered into a 20 year occupancy lease expiring May 31, 2027 for a warehouse/office building at 624 4th Ave N in Texas City. Annual lease payments are \$1. The organization is responsible for all maintenance and repairs.

Note 11: Functional Expenses

Expenses of Gleanings by function are as follows:

Program services	\$ 6,730,416
Management and general	54,362
Fundraising	26,975
	<u>\$ 6,811,753</u>

Note 12 - Subsequent Events

Subsequent events have been evaluated through October 15, 2010 which is the date the financial statements were available to be issued.