



**Forgotten Harvest, Inc.
(A Non-Profit Organization)**

Consolidated Financial Statements
(and supplementary information)
Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors of
Forgotten Harvest, Inc.
(A Non-Profit Organization)
Oak Park, Michigan

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Forgotten Harvest, Inc. (a non-profit Organization) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Forgotten Harvest, Inc. and its subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their 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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 12, 2015, on our consideration of Forgotten Harvest, Inc. and its subsidiaries' 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 Forgotten Harvest, Inc. and its subsidiaries' internal control over financial reporting and compliance.

BDO USA, LLP

Troy, Michigan
October 12, 2015

Consolidated Financial Statements

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Financial Position

<i>June 30,</i>	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,614,843	\$ 2,827,650
Certificates of deposit	-	101,913
Investments	1,846,754	1,024,525
Promises to give, net	1,680,750	1,957,525
Inventory	407,357	648,966
Prepaid expenses and other assets	140,913	106,693
Total Current Assets	5,690,617	6,667,272
Property and Equipment		
Land	371,700	371,700
Land improvements	873,426	873,426
Building and improvements	3,265,016	3,053,296
Delivery equipment	3,091,236	2,853,929
Furnishings and equipment	1,992,536	1,384,774
Total Property and Equipment	9,593,914	8,537,125
Less accumulated depreciation	(3,663,767)	(3,176,196)
Net Property and Equipment	5,930,147	5,360,929
Long-Term Assets		
Promises to give, net, less current portion	583,561	879,603
Note receivable from Forgotten Harvest Canada, net	-	120,083
Beneficial interest in Endowment Fund	111,740	118,514
Total Long-Term Assets	695,301	1,118,200
Total Assets	\$ 12,316,065	\$13,146,401

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Financial Position

<i>June 30,</i>	2015	2014
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 290,673	\$ 261,867
Accrued compensation	342,623	230,156
Other accrued expenses	508,594	174,850
Deferred revenue	140,000	72,000
Total Liabilities	1,281,890	738,873
Net Assets		
Unrestricted	7,753,007	9,378,725
Temporarily restricted	3,181,168	2,928,803
Permanently restricted	100,000	100,000
Total Net Assets	11,034,175	12,407,528
Total Liabilities and Net Assets	\$ 12,316,065	\$ 13,146,401

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions	\$ 3,640,174	\$ 975,000	\$ -	\$ 4,615,174
Foundations and trusts	1,249,063	674,394	-	1,923,457
Special events	522,538	-	-	522,538
Third party events	418,046	-	-	418,046
In-kind donations	278,838	-	-	278,838
Miscellaneous income	22,087	-	-	22,087
Interest and dividend income	38,455	-	-	38,455
Realized and unrealized loss on investments	(59,306)	-	-	(59,306)
Government grants	485,074	117,531	-	602,605
Merchandise revenue	3,935	-	-	3,935
Processing revenue	47,055	-	-	47,055
Change in beneficial interest in Endowment Fund	-	(565)	-	(565)
Perishable foods	67,435,041	-	-	67,435,041
Total Revenue Before Net Assets Released From Restriction	74,081,000	1,766,360	-	75,847,360
Net Assets Released From Restriction	1,513,995	(1,513,995)	-	-
Total Revenues	75,594,995	252,365	-	75,847,360
Expenses				
Program service	73,397,360	-	-	73,397,360
Management and general	1,067,120	-	-	1,067,120
Fundraising	2,756,233	-	-	2,756,233
Total Expenses	77,220,713	-	-	77,220,713
Change in Net Assets	(1,625,718)	252,365	-	(1,373,353)
Net Assets, beginning of year	9,378,725	2,928,803	100,000	12,407,528
Net Assets, end of year	\$ 7,753,007	\$ 3,181,168	\$ 100,000	\$ 11,034,175

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Contributions	\$ 3,692,483	\$ 534,000	\$ -	\$ 4,226,483
Foundations and trusts	766,205	275,000	-	1,041,205
Special events	757,143	-	-	757,143
Third party events	577,602	-	-	577,602
In-kind donations	682,550	608,009	-	1,290,559
Miscellaneous income	18,660	-	-	18,660
Interest and dividend income	19,403	-	-	19,403
Realized and unrealized gain on investments	159,278	-	-	159,278
Government grants	735,746	-	-	735,746
Change in beneficial interest in Endowment Fund	-	9,219	-	9,219
Perishable foods	82,447,558	-	-	82,447,558
Total Revenue Before Net Assets Released From Restriction	89,856,628	1,426,228	-	91,282,856
Net Assets Released From Restriction	1,380,232	(1,380,232)	-	-
Total Revenues	91,236,860	45,996	-	91,282,856
Expenses				
Program service	89,578,890	-	-	89,578,890
Management and general	913,631	-	-	913,631
Fundraising	2,760,772	-	-	2,760,772
Total Expenses	93,253,293	-	-	93,253,293
Change in Net Assets	(2,016,433)	45,996	-	(1,970,437)
Net Assets, beginning of year	11,395,158	2,882,807	100,000	14,377,965
Net Assets, end of year	\$ 9,378,725	\$ 2,928,803	\$ 100,000	\$ 12,407,528

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2015</i>	Program Service	Management and General	Fundraising	Total
Compensation and Other Related Expenses				
Salaries	\$ 2,180,491	\$ 573,290	\$ 778,875	\$ 3,532,656
Insurance	206,152	28,654	47,521	282,327
Payroll tax	187,718	49,270	66,189	303,177
Retirement benefits	81,190	23,204	32,052	136,446
Total Compensation and Other Related Expenses	2,655,551	674,418	924,637	4,254,606
Other Functional Expenses				
Advertising	-	-	169,966	169,966
Bad debts	229,100	-	13,078	242,178
Bank and processing fees	-	68,456	-	68,456
Conferences and seminars	15,014	19,129	503	34,646
Delivery equipment				
Fuel	274,718	-	-	274,718
Insurance	75,239	-	-	75,239
Maintenance	370,177	-	-	370,177
Depreciation	613,120	16,948	20,337	650,405
Dues and subscriptions	25,010	3,965	1,525	30,500
Fundraising	-	-	166,215	166,215
In-kind services	342,265	50,450	291,598	684,313
Insurance - general and workers compensation	122,766	1,527	1,832	126,125
Mileage reimbursement	8,886	4,190	9,592	22,668
Office expense	26,943	11,998	5,835	44,776
Other	-	6,227	-	6,227
Postage and direct mail	-	7,449	843,868	851,317
Printing	6,963	7,288	96,885	111,136
Professional fees	29,014	132,998	176,528	338,540
Recruiting	7,554	-	-	7,554
Supplies and maintenance	392,704	28,641	18,626	439,971
Telephone	37,195	9,531	9,561	56,287
Temporary personnel	58,137	19,199	-	77,336
Utilities	83,762	4,706	5,647	94,115
Total Other Functional Expenses	2,718,567	392,702	1,831,596	4,942,865
Distributed Food	68,023,242	-	-	68,023,242
Total Functional Expenses	\$ 73,397,360	\$ 1,067,120	\$ 2,756,233	\$ 77,220,713

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2014</i>	Program Service	Management and General	Fundraising	Total
Compensation and Other Related Expenses				
Salaries	\$ 2,240,727	\$ 435,721	\$ 706,025	\$ 3,382,473
Insurance	178,149	17,104	29,413	224,666
Payroll tax	210,528	40,969	65,216	316,713
Retirement benefits	79,983	18,875	30,466	129,324
Total Compensation and Other Related Expenses	2,709,387	512,669	831,120	4,053,176
Other Functional Expenses				
Advertising	-	-	243,461	243,461
Bad debts	-	-	19,167	19,167
Bank and processing fees	-	83,222	-	83,222
Conferences and seminars	14,681	19,322	1,044	35,047
Delivery equipment				
Fuel	359,464	-	-	359,464
Insurance	68,539	-	-	68,539
Maintenance	340,759	-	-	340,759
Depreciation	580,833	15,205	18,245	614,283
Dues and subscriptions	18,519	5,636	16,104	40,259
Fundraising	(13,772)	-	167,567	153,795
In-kind services	82,192	160,469	148,728	391,389
Insurance - general and workers compensation	119,099	1,276	1,531	121,906
Loss on sale of asset	3,861	-	-	3,861
Mileage reimbursement	13,284	4,202	7,891	25,377
Office expense	27,606	7,033	6,051	40,690
Postage and direct mail	-	13,058	1,013,649	1,026,707
Printing	-	-	61,044	61,044
Professional fees	67,642	52,289	194,829	314,760
Recruiting	11,278	-	-	11,278
Supplies and maintenance	412,509	26,172	12,667	451,348
Telephone	39,041	7,935	11,502	58,478
Temporary personnel	105,861	-	-	105,861
Utilities	91,552	5,143	6,172	102,867
Total Other Functional Expenses	2,342,948	400,962	1,929,652	4,673,562
Distributed Food	84,526,555	-	-	84,526,555
Total Functional Expenses	\$ 89,578,890	\$ 913,631	\$ 2,760,772	\$ 93,253,293

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Consolidated Statements of Cash Flows

<i>Year ended June 30,</i>	2015	2014
Operating Activities		
Change in net assets	\$ (1,373,353)	\$ (1,970,437)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	650,405	614,283
Bad debt expense	242,178	19,167
In-kind donations of property and equipment	-	(408,033)
Realized and unrealized loss (gain) on investments	59,306	(159,278)
Change in beneficial interest in Endowment Fund	6,774	(9,219)
Loss on sale of property and equipment	-	3,861
Changes in operating assets and liabilities provided by (used in) cash		
Promises to give (inclusive of in-kind contributions)	559,739	400,708
Inventory (inclusive of donated inventory)	241,609	1,350,600
Prepaid expenses and other assets	(34,220)	(64,500)
Accounts payable	28,806	48,438
Accrued compensation	112,467	1,931
Other accrued expenses	(70,968)	(53,335)
Deferred revenue	68,000	6,500
Net cash provided by (used in) operating activities	490,743	(219,314)
Investing Activities		
Capital expenditures	(814,911)	(133,583)
Purchase of investments	(881,535)	-
Proceeds from the sale of investments	-	316,462
Net redemptions of certificates of deposit	101,913	750,546
Loan to Forgotten Harvest Canada	(109,017)	-
Net cash provided by (used in) investing activities	(1,703,550)	933,425
Net Increase in Cash and Cash Equivalents	(1,212,807)	714,111
Cash and Cash Equivalents, beginning of year	2,827,650	2,113,539
Cash and Cash Equivalents, end of year	\$ 1,614,843	\$ 2,827,650
Non-Cash Operating and Investing Activities		
Capital expenditures included in other accrued expenses	\$ 404,712	\$ -

See accompanying notes to consolidated financial statements.

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Notes to Consolidated Financial Statements

1. Nature of Activities

Forgotten Harvest, Inc. is a non-profit organization, incorporated in the State of Michigan for the purpose of providing hunger relief to the Metropolitan Detroit area through a prepared and perishable surplus food program. Forgotten Harvest, Inc. collects prepared, perishable and non-perishable surplus food from various health-department approved establishments and transports that food to soup kitchens, pantries and shelters in the tri-county area.

Forgotten Harvest Farms LLC, a Michigan limited liability company, was created by Forgotten Harvest, Inc. in fiscal year 2013 as a separate entity in order to facilitate the farm operations. Forgotten Harvest Farms LLC is wholly owned by Forgotten Harvest, Inc. and, as such, is consolidated in these financial statements.

Hopeful Harvest Foods Inc., a Michigan corporation, was created by Forgotten Harvest, Inc. in fiscal year 2015 as a separate for-profit entity in order to facilitate the processing of food for revenues. Hopeful Harvest Foods Inc. is wholly owned by Forgotten Harvest, Inc. and, as such, is consolidated in these financial statements.

2. Summary of Significant Accounting Policies

Basis of Consolidation

These financial statements include the Consolidated Statements of Financial Position, Activities and Changes in Net Assets, Functional Expenses, and Cash Flows for Forgotten Harvest, Inc., Forgotten Harvest Farms LLC, and Hopeful Harvest Foods Inc., collectively referred to as the Organization. All balances and transactions between consolidated entities have been eliminated.

Basis of Accounting

The books and records of the Organization are maintained on an accrual method of accounting.

Cash and Cash Equivalents

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. Money market accounts included in cash and cash equivalents are recorded at cost which approximates fair value.

Certificates of Deposit

The Organization held no certificates of deposit as of June 30, 2015. The certificate of deposit as of June 30, 2014 was recorded at cost which approximated fair value.

Forgotten Harvest, Inc.
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Notes to Consolidated Financial Statements

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash, cash equivalents, certificates of deposit, and promises to give. The Organization places its cash, cash equivalents and certificates of deposit with high credit qualified institutions. At times, the amount of cash and cash equivalents and certificates of deposit may be in excess of the respective institutions' insurance limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any unusual credit risk on cash, cash equivalents and certificates of deposit. With respect to promises to give, the Organization monitors credit exposure on a continuing basis. The Organization also records an allowance for doubtful accounts based on amounts believed to be uncollectible. Revisions to the allowance may be required if actual collections differ significantly from estimated collections. These revisions could have a material effect on the Consolidated Statements of Activities and Changes in Net Assets in the period in which such changes occur. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

Investments

The investments of the Organization are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price).

Realized gains or losses are determined by the average cost method. Unrealized gains or losses represent the difference between the current fair value and the cost of the investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses, interest income, and dividend income are all included in the Consolidated Statements of Activities and Changes in Net Assets.

Forgotten Harvest, Inc.
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Notes to Consolidated Financial Statements

Promises to Give

Promises to give are recognized as contribution revenue in the period that the promise is received by the Organization unless there is a condition placed on the promise to give whereby the Organization recognizes the revenue when the condition is met. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value (discount rate used was 1.63% and 1.68% as of June 30, 2015 and 2014, respectively) if expected to be collected in more than one year. Promises to give at June 30 are as follows:

	2015	2014
Gross Unconditional Promises to Give	\$ 2,315,514	\$ 2,915,518
Allowance for Uncollectible Promises to Give	(36,363)	(50,781)
Less: discounts to net present value	2,279,151 (14,840)	2,864,737 (27,609)
Net Unconditional Promises to Give	\$ 2,264,311	\$ 2,837,128
Amounts Due In		
Less than one year	\$ 1,680,750	\$ 1,957,525
One to four years	583,561	879,603
Total Promises to Give	\$ 2,264,311	\$ 2,837,128

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made.

Inventory

Inventory consists primarily of donated food. Insignificant values of inventory are related to a special program and are not donated. Inventory on hand as of June 30, 2015 and 2014 was \$407,357 and \$648,966, respectively. Ending donated food inventories are determined using the FIFO method and are based upon a value per pound established by KPMG, LLP and published by Feeding America, a nationally recognized food donation charity.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Property and equipment are depreciated over their estimated lives as follows, using the straight-line method:

Land improvements	15 years
Building and improvements	5 - 40 years
Delivery equipment	5 - 7 years
Furnishings and equipment	5 - 10 years

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Notes to Consolidated Financial Statements

Total depreciation expense for the years ended June 30, 2015 and 2014 was \$650,405 and \$614,283, respectively. Expenditures for maintenance and repairs are charged to expenses as incurred.

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. There were no impairment losses recognized for the years ended June 30, 2015 and 2014.

Beneficial Interest in Endowment Fund

The Organization entered into an agreement with a foundation to establish an endowment fund. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605-25-24, *Transfer of Assets to a Non-Profit or Charitable Trust That Raises or Holds Contributions for Others*, the Organization's contribution to the fund, known as the reciprocal portion, has been recorded as an investment on the books of the Organization, even though the foundation may have variance power (i.e. ability to control who the beneficiary will be upon the occurrence of events which include, but are not limited to, the dissolution of Forgotten Harvest, Inc. over the asset). In addition to the reciprocal transfer made by the Organization, third party donors may make contributions to the fund for the benefit of the Organization. The foundation maintains explicit variance power over any third party gifts and the earnings thereon. As a result, in accordance with FASB ASC Topic 958, this amount is not recorded as an asset of the Organization. Earnings are available for distribution to the Organization for operations at the discretion of the foundation.

Deferred Revenue and Prepaid Expense

The Organization holds two major fundraising events during the year. This involves the receipt of sponsorship income and reserving facilities in advance of the event. Income and expenses that relate to events that will not take place until the next fiscal year are recorded as deferred revenue and prepaid expenses and recognized when the event takes place.

Recognition of Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. Restricted support in which the donor stipulations are met in the same year are reported as unrestricted net assets.

Forgotten Harvest, Inc.
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Notes to Consolidated Financial Statements

Donated Food

Monetary value for the donated food is based upon a value per pound established by KPMG, LLP and published by Feeding America. A summary of donated food is as follows:

<i>Year ended June 30,</i>	Total Pounds	Price Per Pound	Total Value
2015	39,667,671	\$ 1.70	\$ 67,435,041
2014	47,934,627	1.72	82,447,558

Internally Grown Food (Unaudited)

The Organization produced and distributed 1,294,784 pounds of food during fiscal year 2015 using approximately 100 acres of donated farm land. The Organization produced and distributed 877,392 pounds of food during fiscal year 2014 using approximately 92 acres of donated farm land.

Contributions and In-Kind Donations

The Organization accounts for contributions received and contributions made by corporations, foundations, trusts and government agencies at estimated fair value. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

In-kind donations consisting of donated services and materials are recorded as revenues and expenses at their estimated fair value. In-kind donations of property, equipment, and donated rent are recorded at fair value at the donation date. Donated services and materials are recorded if the services and/or materials (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers donated significant amounts of their time to the Organization's programs and fundraising campaigns which does not meet the criteria for in-kind donations, as described above, and therefore is not recognized as contributions in the consolidated financial statements.

Income Taxes

Forgotten Harvest, Inc. and Forgotten Harvest Farms LLC file a joint tax return and are exempt from federal income and unemployment taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization considers this exemption from income taxes to be a significant tax position. The Organization has evaluated and determined that there is no material taxable unrelated business income. The Organization believes that it has appropriate support for any tax position taken and, as such, has determined that no additional disclosures of uncertain tax matters are required. Contributions made to the Organization are deductible by the donor as provided by the Internal Revenue Code. Hopeful Harvest Foods Inc. is taxed as a C-Corporation.

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Notes to Consolidated Financial Statements

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and Changes in Net Assets and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated financial statements in conformity 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 at the date of the consolidated financial statements and the reported amount of revenues and expenses during the report period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

For certain of the Organization's financial instruments, including cash and cash equivalents, certificates of deposit, promises to give, other receivables, accounts payable and other accrued expenses, the carrying amounts approximate fair value due to their short maturity.

3. Fair Value Measurements

The Organization's investments are stated at fair value. Investments held in the exchange-traded funds are valued at quoted market prices, which represent the net asset value of shares held by the Organization at year end. A summary of investments is as follows:

<i>June 30,</i>	Cost	Fair Value	Carrying Value
2015	\$ 1,699,738	\$ 1,846,754	\$ 1,846,754
2014	818,221	1,024,525	1,024,525

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

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Notes to Consolidated Financial Statements

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of observable inputs.

The following table sets forth by level within the fair value hierarchy the Organization's assets recorded at fair value, as of June 30, 2015 and 2014.

	Assets Recorded at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Inflation protected	\$ 361,550	\$ -	\$ -	\$ 361,550
Commodity	108,610	-	-	108,610
Bond	396,284			396,284
Common Stock				
International large cap	488,101	-	-	488,101
Domestic large cap	492,209	-	-	492,209
Total Investments	\$ 1,846,754	\$ -	\$ -	\$ 1,846,754
Beneficial Interest in Endowment				
Fund	\$ -	\$ 111,740	\$ -	\$ 111,740
Inventory - Donated Food	-	407,357	-	407,357

	Assets Recorded at Fair Value as of June 30, 2014			
	Level 1	Level 2	Level 3	Total
Mutual Funds				
Inflation protected	\$ 167,476	\$ -	\$ -	\$ 167,476
Commodity	57,809	-	-	57,809
Common Stock				
International large cap	379,790	-	-	379,790
Domestic large cap	419,450	-	-	419,450
Total Investments	\$ 1,024,525	\$ -	\$ -	\$ 1,024,525
Beneficial Interest in Endowment				
Fund	\$ -	\$ 118,514	\$ -	\$ 118,514
Inventory - Donated Food	-	648,966	-	648,966

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Notes to Consolidated Financial Statements

4. Board Designated Funds

FASB guidance related to classification of net assets states that Board designated funds, absent donor restrictions are to be classified as unrestricted. Board designated funds within Unrestricted Net Assets were \$305,122 and \$309,739 at June 30, 2015 and 2014, respectively.

5. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire by passage of time. Temporarily Restricted Net Assets consist of the following as of June 30:

	2015	2014
Building maintenance	\$ 612,923	\$ 612,923
Capacity campaign	884,850	1,174,166
Contributions - time or purpose restrictions	1,671,655	1,123,200
Endowment Fund earnings	11,740	18,514
	<hr/> \$ 3,181,168	<hr/> \$ 2,928,803

6. Permanently Restricted Net Assets

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Permanently Restricted Net Assets as of June 30, 2015 and 2014 of \$100,000 consist of the Organization's original beneficial interest in an Endowment Fund. Earnings on the original investment are classified as Temporarily Restricted.

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Notes to Consolidated Financial Statements

7. In-Kind Donations

A summary of In-Kind Donations for the years ended June 30, is as follows:

	2015	2014
Advertising	\$ 99,555	\$ 92,541
Electronics and software	600	-
Equipment and supplies	17,379	181,726
Facilities (4 year lease)	-	608,009
Freezer space	-	15,000
Fuel	9,510	22,458
Fundraiser auction items	47,220	42,621
Land	22,375	30,952
Miscellaneous	16,372	2,565
Office furniture and supplies	350	1,050
Professional services	19,784	7,450
Senior aid	15,456	7,728
Special event food and miscellaneous items	30,037	254,059
Sporting event tickets	200	24,000
Transportation equipment	-	400
	<hr/>	<hr/>
	\$ 278,838	\$ 1,290,559

8. Employee Benefit Plan

On May 1, 1996, the Organization adopted a Simplified Employee Pension Plan ("SEP") for all employees who meet the eligibility requirements set forth in the Plan. Effective February 1, 2004, the Organization rolled the SEP into a 401(k) Profit Sharing Plan. Under the provisions of the Plan, eligible employees may defer a portion of their salary and the Organization will make contributions on behalf of each eligible employee based on the Plan's guidelines. The Organization's contribution to the Plan for the years ended June 30, 2015 and 2014 was \$136,446 and \$129,324, respectively.

9. Federal Financial Assistance

The Organization has received federal funds from the Emergency Food and Shelter Program and Nutrition Supplemental Assistance Program and local funds from the City of Detroit Block Grant Program for food distribution. The Organization has also received USDA food for distribution. See the Schedule of Expenditures of Federal Awards for details.

10. Capacity Campaign

The Organization engaged in a capacity campaign which was being used to fund capital expenditures and operating costs associated with the increased expansion of the Organization over a three year period that ended June 30, 2013. As of June 30, 2015, the Organization has received pledges of \$8,381,319 of which \$7,477,546 has been collected.

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Notes to Consolidated Financial Statements

The Organization classifies contributions to the Capacity Campaign as temporarily restricted if the donor stipulation has not been met or the donor's time restriction has not expired.

11. Related Party Transactions

During 2012, the Organization assisted in establishing a Canadian non-profit organization named Forgotten Harvest Canada. By helping to establish Forgotten Harvest Canada, both entities expect to receive increased food donations from Canadian growers. Forgotten Harvest Canada employs a similar business model to Forgotten Harvest, Inc. with a mission to relieve poverty. The Organization and Forgotten Harvest Canada are independent entities with separate Boards of Directors. The Organization made Canadian dollar denominated loans to Forgotten Harvest Canada of \$50,000 in May 2012, \$50,000 in September 2012, \$54,000 in September 2014, and \$66,000 in March 2015. Further, in fiscal year 2014, the Organization transferred a truck to the Canadian sister company valued at \$15,000. The loans are denominated in Canadian dollars. As of June 30, 2015 and 2014, the Organization recorded an allowance for doubtful accounts of \$229,100 and \$-0- for the amount of the loans considered uncollectible.

Additionally, the Organization provided transportation and management services to Forgotten Harvest Canada during 2015 and 2014 in the amount of approximately \$5,900 and \$7,900, respectively. Amounts due to the Organization from Forgotten Harvest Canada at June 30, 2015 and 2014 were approximately \$49,000 and \$30,000, respectively.

During the year ended June 30, 2014, the Organization received an in-kind donation from an entity related to a member of the Board of the use of 8,322 square feet of office space at no cost through July 2014 and renewable on an annual basis at the option of the Organization through November 2017. The Organization recorded the fair value of the lease based on the November 2017 termination date as in-kind revenues of approximately \$608,000 during 2014 as there are no donor conditions on the donation. The Organization will record monthly in-kind rent expense as it uses the office space during the term of the lease until termination in November 2017. During the year ended June 30, 2015, the Organization recorded approximately \$156,000 of in-kind rent expense. Included in Promises to Give, Net on the Statement of Financial Position as of June 30, 2015 is approximately \$344,000 related to this lease.

During the years ended June 30, 2015 and 2014, the Organization received approximately \$10,900,000 and \$8,200,000 in revenue from Board members and/or entities related to Board members in the form of contributions (including in-kind donations and perishable foods). Amount due from related parties related to these contributions on the Statement of Financial Position are approximately \$448,000 and \$616,000 at June 30, 2015 and 2014, respectively.

12. Commitments and Contingencies

The Organization is subject to ordinary and routine legal proceedings, as well as demands, claims and threatened litigation, which arise in the ordinary course of its business. The ultimate outcome of any litigation is uncertain. While unfavorable outcomes could have adverse effects on the Organization's business, results of operations, and financial condition, management believes that the Organization is adequately insured and does not believe an unfavorable outcome of any pending or threatened proceedings is possible or remote. Therefore, no separate reserve or disclosure has been established for these types of legal proceedings.

**Forgotten Harvest, Inc.
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Notes to Consolidated Financial Statements

13. Subsequent Events

Management has evaluated subsequent events through October 12, 2015, the date on which the consolidated financial statements were available to be issued.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Forgotten Harvest, Inc.

We have audited, in accordance with the 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, the consolidated financial statements of Forgotten Harvest, Inc. and its subsidiaries ("the Organization"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Troy, Michigan
October 12, 2015



Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Board of Directors of
Forgotten Harvest, Inc.

Report on Compliance for Each Major Federal Program

We have audited Forgotten Harvest, Inc. and its subsidiaries' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2015, and have issued our report thereon dated October 12, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Troy, Michigan
October 12, 2015

Supplementary Information

Forgotten Harvest, Inc.
(A Non-Profit Organization)

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
Food Distribution Cluster:			
U.S. Department of Agriculture Passed through Food Bank Council of Michigan Emergency Food Assistance Program Food Commodities	10.569		\$ 6,214,444
U.S. Department of Agriculture Passed through Gleaners Food Bank Emergency Food Assistance Program Food Commodities	10.569		24,670
U.S. Department of Agriculture Passed through Food Bank Council of Michigan Emergency Food Assistance Program	10.568		88,339
U.S. Department of Agriculture Passed through Greater Lansing Food Bank Emergency Food Assistance Program Food Commodities	10.569		38,114
Total Food Distribution Cluster			6,365,567
U.S. Department of Homeland Security Passed through United Way Emergency Food and Shelter National Board Program	97.024	484400-301	254,096
U.S. Department of Housing and Urban Development Passed through City of Detroit Community Development Block Grant	14.218	2839256	75,000
U.S Department of Agriculture Michigan Department of Agriculture and Rural Development Specialty Crop Block Grant Program - Farm Bill Activities	10.170		14,766
Total Expenditures of Federal Awards			\$ 6,709,429

Forgotten Harvest, Inc.
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Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“the Schedule”) includes the federal grant activity of Forgotten Harvest, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Forgotten Harvest, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Forgotten Harvest, Inc.

2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

- b) Pass-through entity identifying numbers are presented where available.

3. Food Commodities

Nonmonetary assistance is reported based on the commodities received and disbursed. The value per pound is established by KPMG, LLP and published by Feeding America, a nationally recognized food donation charity.

**Forgotten Harvest, Inc.
(A Non-Profit Organization)**

Schedule of Findings and Questioned Costs

Section I: Summary of Auditor's Results

Consolidated Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____yes _____X_____no

Significant deficiency(ies) identified? _____yes _____X_____None reported

Noncompliance material to consolidated financial statements noted? _____yes _____X_____no

Federal Awards

Type of auditors' report issued on compliance with major programs? _____X_____Unmodified

Internal control over major programs:

Material weakness(es) identified? _____yes _____X_____no

Significant deficiency(ies) identified? _____yes _____X_____None reported

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 501(a)? _____yes _____X_____no

Identification of Major Programs

<i>CFDA Number(s)</i>	<i>Name of Federal Program</i>
10.568 and 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____X_____yes _____no

Section II: Consolidated Financial Statement Findings

None

Section III: Federal Awards Findings and Questioned Costs

None