

**GLEANERS COMMUNITY FOOD BANK OF
SOUTHEASTERN MICHIGAN**

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2017 and 2016

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

TABLE OF CONTENTS As of and for the Years Ended September 30, 2017 and 2016

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 17
Supplemental Information (Unaudited)	
Schedule of Operating Highlights	18
Other Independent Auditors' Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19 - 20
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	21 - 22
Other Information	
Schedule of Expenditures of Federal Awards	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Findings and Questioned Costs	25 - 26
Summary Schedule of Prior Audit Findings	27

INDEPENDENT AUDITORS' REPORT

Board of Directors
Gleaners Community Food Bank of Southeastern Michigan
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Gleaners Community Food Bank of Southeastern Michigan (the "Organization"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Gleaners Community Food Bank of Southeastern Michigan's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The nonaccounting information shown on page 18, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.



Southfield, Michigan
January 15, 2018

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION As of September 30, 2017 and 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,457,690	\$ 4,189,071
Receivables		
Trade receivable, net of allowance	317,484	325,041
Grants receivable	501,085	688,164
Promises to give, net of allowance	20,380	110,844
Promises to give for the use of facilities	56,478	141,960
Food inventories		
Donated inventory	2,378,331	2,403,060
Purchased inventory	250,705	267,194
Prepaid expenses	91,236	122,424
Total Current Assets	<u>9,073,389</u>	<u>8,247,758</u>
PROPERTY AND EQUIPMENT, NET	<u>3,622,584</u>	<u>3,831,513</u>
OTHER ASSETS		
Promises to give for the use of facilities, non-current, net of discount	-	56,478
Cash surrender value of life insurance	8,835	77,697
Beneficial interest in charitable remainder unitrust	1,189,785	1,219,285
Beneficial interest in funds held at the Community Foundation for Southeastern Michigan	<u>1,733,498</u>	<u>1,635,210</u>
Total Other Assets	<u>2,932,118</u>	<u>2,988,670</u>
TOTAL ASSETS	<u>\$ 15,628,091</u>	<u>\$ 15,067,941</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 723,118	\$ 808,900
Accrued liabilities	<u>531,517</u>	<u>500,320</u>
Total Current Liabilities	<u>1,254,635</u>	<u>1,309,220</u>
NET ASSETS		
Unrestricted		
Cash and other activities	7,855,188	6,812,076
Noncash food donations/distributions	<u>2,378,331</u>	<u>2,403,060</u>
Total Unrestricted	10,233,519	9,215,136
Temporarily restricted	2,397,604	2,830,678
Permanently restricted	<u>1,742,333</u>	<u>1,712,907</u>
Total Net Assets	<u>14,373,456</u>	<u>13,758,721</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,628,091</u>	<u>\$ 15,067,941</u>

See accompanying notes to financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF ACTIVITIES For the Year Ended September 30, 2017 (with Comparative Totals for the Year Ended September 30, 2016)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUE AND OTHER SUPPORT							
Donated food received	\$ -	\$ 89,939,405	\$ 89,939,405	\$ -	\$ -	\$ 89,939,405	\$ 57,663,399
Contributions, grants and other revenue							
Contributions	10,355,591	-	10,355,591	1,865,461	-	12,221,052	11,953,353
Special events, net of direct expenses of \$495,091 and \$363,294 in 2017 and 2016, respectively	277,053	-	277,053	-	-	277,053	117,644
United Way	-	-	-	150,000	-	150,000	231,844
Grants and indirect support	3,254,612	-	3,254,612	-	-	3,254,612	2,454,963
Purchased food revenue	3,885,886	-	3,885,886	-	-	3,885,886	4,139,923
Agency shared maintenance fee	695,320	-	695,320	-	-	695,320	684,286
Change in beneficial interest in charitable remainder unitrust	-	-	-	(29,500)	-	(29,500)	36,823
Investment income	159,601	-	159,601	-	-	159,601	169,929
Change in cash surrender value of life insurance	-	-	-	-	(68,862)	(68,862)	(10,048)
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	-	-	-	-	98,288	98,288	62,565
Other	164,359	-	164,359	-	-	164,359	169,058
Total Contributions, Grants and Other Revenue	<u>18,792,422</u>	<u>-</u>	<u>18,792,422</u>	<u>1,985,961</u>	<u>29,426</u>	<u>20,807,809</u>	<u>20,010,340</u>
Net assets released from restrictions	<u>2,419,035</u>	<u>-</u>	<u>2,419,035</u>	<u>(2,419,035)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>21,211,457</u>	<u>89,939,405</u>	<u>111,150,862</u>	<u>(433,074)</u>	<u>29,426</u>	<u>110,747,214</u>	<u>77,673,739</u>
EXPENSES							
Program services - Food Bank							
Personnel expense	4,821,567	-	4,821,567	-	-	4,821,567	4,683,979
Purchased food distributed	4,756,905	-	4,756,905	-	-	4,756,905	4,796,364
Donated food distributed	-	89,964,134	89,964,134	-	-	89,964,134	56,695,301
Transportation expenses	918,067	-	918,067	-	-	918,067	774,264
Occupancy expense	1,624,936	-	1,624,936	-	-	1,624,936	1,616,282
General and administrative expense	4,465,428	-	4,465,428	-	-	4,465,428	4,404,767
Total Program Services - Food Bank	<u>16,586,903</u>	<u>89,964,134</u>	<u>106,551,037</u>	<u>-</u>	<u>-</u>	<u>106,551,037</u>	<u>72,970,957</u>
Supporting services							
Management and general	1,038,678	-	1,038,678	-	-	1,038,678	809,964
Fundraising	2,542,764	-	2,542,764	-	-	2,542,764	3,013,518
Total Supporting Services	<u>3,581,442</u>	<u>-</u>	<u>3,581,442</u>	<u>-</u>	<u>-</u>	<u>3,581,442</u>	<u>3,823,482</u>
Total Expenses	<u>20,168,345</u>	<u>89,964,134</u>	<u>110,132,479</u>	<u>-</u>	<u>-</u>	<u>110,132,479</u>	<u>76,794,439</u>
CHANGE IN NET ASSETS	1,043,112	(24,729)	1,018,383	(433,074)	29,426	614,735	879,300
NET ASSETS - Beginning of Year	<u>6,812,076</u>	<u>2,403,060</u>	<u>9,215,136</u>	<u>2,830,678</u>	<u>1,712,907</u>	<u>13,758,721</u>	<u>12,879,421</u>
NET ASSETS - END OF YEAR	<u>\$ 7,855,188</u>	<u>\$ 2,378,331</u>	<u>\$ 10,233,519</u>	<u>\$ 2,397,604</u>	<u>\$ 1,742,333</u>	<u>\$ 14,373,456</u>	<u>\$ 13,758,721</u>

See accompanying notes to financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 614,735	\$ 879,300
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	393,919	382,491
Noncash rent expense for use of facilities	141,960	141,960
Bad debt expense	34,428	137,975
Change in donated food inventories	24,729	(968,098)
Change in beneficial interest in Community Foundation for Southeast Michigan	(98,288)	(62,565)
Change in beneficial interest in charitable remainder unitrust	29,500	(36,823)
Change in cash surrender value of life insurance	68,862	10,048
Changes in operating assets and liabilities that provided (used) cash		
Trade receivables, grants receivable and promises to give, net	250,672	(4,905)
Purchased inventory	16,489	(36,835)
Prepaid expenses	31,188	97,341
Accounts payable	(85,782)	33,532
Accrued liabilities	31,197	136,285
Net Cash Flows from Operating Activities	1,453,609	709,706
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(184,990)	(197,979)
Net Cash Flows from Investing Activities	(184,990)	(197,979)
Net Change in Cash and Cash Equivalents	1,268,619	511,727
CASH AND CASH EQUIVALENTS - Beginning of Year	4,189,071	3,677,344
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,457,690	\$ 4,189,071
Supplemental cash flow disclosures		
Value of donated food received	\$ 89,939,405	\$ 57,663,399
Value of donated food distributed	89,964,134	56,695,301
Noncash investing and financing activities		
Purchases of property and equipment in accounts payable	-	5,170

See accompanying notes to financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2017 (with Comparative Totals for the Year Ended September 30, 2016)

	Program Services- Food Bank	Management and General	Fundraising	2017 Total	2016 Total
Personnel Expense					
Salaries	\$ 3,895,824	\$ 556,939	\$ 1,225,265	\$ 5,678,028	\$ 5,452,237
Payroll taxes and employee benefits	925,743	136,139	299,505	1,361,387	1,358,501
Total Personnel Expense	<u>4,821,567</u>	<u>693,078</u>	<u>1,524,770</u>	<u>7,039,415</u>	<u>6,810,738</u>
Transportation Expense	<u>918,067</u>	-	-	<u>918,067</u>	<u>774,264</u>
Occupancy Expense					
Depreciation	393,919	-	-	393,919	382,491
Rent	238,847	-	-	238,847	285,948
Warehouse supplies	234,406	-	-	234,406	207,251
Utilities	322,310	38	7,125	329,473	259,894
Insurance	48,814	10	1,918	50,742	67,349
Repairs and maintenance	276,363	16	3,166	279,545	256,548
Security	62,446	12	2,196	64,654	63,369
Uniforms	23,188	-	-	23,188	22,270
Other occupancy	24,643	-	-	24,643	82,842
Total Occupancy Expense	<u>1,624,936</u>	<u>76</u>	<u>14,405</u>	<u>1,639,417</u>	<u>1,627,962</u>
Other Operating Expense					
Food bank affiliation requirements	71,303	-	-	71,303	63,334
Telephone	83,351	12,257	26,966	122,574	109,703
Food bank expense	1,001,956	-	-	1,001,956	1,142,362
Travel and meetings	81,674	12,010	26,424	120,108	134,853
Office supplies and expense	323,938	37,494	82,490	443,922	293,784
Online service	1,063	156	343	1,562	664
Solicitation mailings	769,927	113,224	249,094	1,132,245	904,275
Public relations	12,579	-	-	12,579	7,515
Bank service charges	142,200	20,911	46,005	209,116	174,089
Bad debts	34,428	-	-	34,428	137,975
Agency support	941,873	97,151	213,732	1,252,756	1,490,659
Professional fees	348,607	51,263	112,783	512,653	706,571
Media and communications	243,423	-	243,423	486,846	633,890
Federal Emergency Management Agency distributed	259,948	-	-	259,948	58,022
Miscellaneous	149,158	1,058	2,329	152,545	232,114
Total Other Operating Expense	<u>4,465,428</u>	<u>345,524</u>	<u>1,003,589</u>	<u>5,814,541</u>	<u>6,089,810</u>
Subtotal	11,829,998	1,038,678	2,542,764	15,411,440	15,302,774
Purchased food distributed	4,756,905	-	-	4,756,905	4,796,364
Donated food distributed	89,964,134	-	-	89,964,134	56,695,301
Total Expenses	<u>\$ 106,551,037</u>	<u>\$ 1,038,678</u>	<u>\$ 2,542,764</u>	<u>\$ 110,132,479</u>	<u>\$ 76,794,439</u>

See accompanying notes to financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Gleaners Community Food Bank of Southeastern Michigan (the "Organization") is a Michigan non-profit corporation that was formed April 5, 1977. The Organization was established to collect, warehouse, and distribute food to social agencies that feed the needy throughout Southeastern Michigan. The Organization's revenue is derived principally from donations of food and cash contributions, grants, and shared maintenance fees charged to the social agencies.

Use of Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and deposits in money market funds with original maturities when purchased of less than three months. The Organization maintains its deposits in two local financial institutions, which at times may exceed the federally insured limits. Management does not believe the Organization is exposed to any significant interest rates or other financial risk as a result of these deposits.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 2 to the financial statements.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Trade Receivables

Trade receivables are stated at the amount management expects to collect from outstanding balances. Management provides probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade receivables. The allowance for doubtful accounts was \$10,644 and \$10,463 as of September 30, 2017 and 2016, respectively.

Grants Receivable

The Organization receives grants from various funding sources. Invoices are issued to the agencies for release of grant money when food is distributed or direct expenses are incurred. Grants receivable are typically awarded under service arrangements whereby revenue is recognized upon the performance of services as outlined in the grant agreement. There was no allowance for doubtful accounts as of September 30, 2017 and 2016.

Promises to Give

The Organization's promises to give are comprised primarily of amounts committed from individuals and corporations for the Organization's activities. Revenue is recognized when an unconditional promise to give is received; in the absence of such promise, revenue is recognized when the promise to give is collected. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The unamortized discount represents the adjustment required to record promises to give expected to be received in future years at their present value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions over the period of the promise to give. The allowance for doubtful accounts was \$30,000 and \$0 as of September 30, 2017 and 2016, respectively.

Promises to Give for the Use of Facilities

The Organization leases facilities at the Mercado for \$1 each year for the operation of a pantry and other community related activities. Operations of the pantry are funded through the support of a donor. The lease and donor commitment currently expire in March 2018 with optional renewal periods. The Organization has recorded promises to give of \$56,478 and \$198,438 on the statements of financial position for the years ending September 30, 2017 and 2016, respectively.

Inventories

Inventory of purchased food is stated at lower of cost, determined by first-in, first-out ("FIFO") method, or market. Donated food inventory is valued at estimated fair value according to a per pound amount, by food category, determined by utilizing the Agreed Upon Procedures report prepared by KPMG LLP for Feeding America, a national food bank network of which the Organization is a member, using the FIFO method of valuation.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year end are recorded as prepaid expenses.

Property, Equipment, and Depreciation

Purchased land, building, vehicles, and equipment are stated at cost. Donated land, building, property and equipment are recorded at approximate fair value at the date of the gift. Major improvements and renewals in excess of \$5,000 are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from 3-40 years.

Classification of Net Assets

The Organization classifies resources for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three categories follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization.

Revenues are reported as an increase in unrestricted net assets unless one of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Unrestricted net assets have been shown on the face of the Statement of Financial Position as "Noncash food donations/distributions" which consists of donated food inventory held at year end and "Cash and other activates" which consists of all other unrestricted net asset activity.

Contributions, Grants, and Revenue Recognition

Contributions of cash or other assets including unconditional promises to give in the future are recognized at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows on a recurring basis. Contributions without donor-imposed restrictions are reported as unrestricted support. Other restricted contributions are reported as temporarily or permanently restricted net assets. When a donor 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.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Functional Allocation of Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statement of activities. Indirect costs have been allocated between the various programs and supporting services based on estimates by management.

Contributed Services

Contributions of services are recognized when they are received for services that (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. No such services were provided for the years ended September 30, 2017 and 2016.

A number of unpaid volunteers have made significant contributions of their time to support the Organization's programs. The value of these contributed services is not reflected in these statements because they did not create or enhance nonfinancial assets or involve specialized services.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Organization was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." Such income, pursuant to the Internal Revenue Code and related regulations, includes investment income such as interest received from sources other than directly from contributions. The Organization has been classified as not a private foundation.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its management and general expense.

The Organization has concluded that there are no significant uncertain tax positions requiring recognition in the Organization's financial statements. The Organization does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Organization does not have any amounts accrued for interest and penalties related to UTBs at September 30, 2017 or 2016, and are not aware of any claims for such amounts by federal or state income tax authorities.

Contingencies

Amounts received or expended by the Organization under various federal programs are subject to audit by governmental agencies. In the opinion of management, any such program audits would not have a significant effect on the financial position of the Organization.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events, or transactions that occurred during the period subsequent to September 30, 2017, the most recent statement of financial position presented herein through January 15, 2018, the issuance date of these financial statements. No such significant events or transactions were identified.

NOTE 2 - Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Beneficial interests are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as property held for sale and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure financial assets recorded at fair value.

Beneficial Interest In Charitable Remainder Unitrust: Fair value measurements of this asset are determined by the underlying investments in the trust which are based upon quoted prices, as well as the present value of future payments to other beneficiaries, changes in actual assumptions, and a rate of return of 3.7% and a discount rate of 3% as of September 30, 2017. The rate of return was 4.2% and the discount rate was 3% as of September 30, 2016.

Beneficial Interest in funds held at Community Foundation for Southeast Michigan (the "Foundation"): The Organization has allocated its portion to the total fair values of the underlying securities held by the Foundation (level 3 inputs).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 2 - Fair Value Measurements (cont.)

The following table sets forth, by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring and non-recurring basis:

	September 30, 2017			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,189,785	\$ -	\$ -	\$ 1,189,785
Beneficial Interest in Community Foundation Endowment Fund	<u>1,733,498</u>	-	-	<u>1,733,498</u>
Total	<u><u>\$ 2,923,283</u></u>	<u>\$ -</u>	<u>\$ -</u>	<u><u>\$ 2,923,283</u></u>

	September 30, 2016			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,219,285	\$ -	\$ -	\$ 1,219,285
Beneficial Interest in Community Foundation Endowment Fund	<u>1,635,210</u>	-	-	<u>1,635,210</u>
Total	<u><u>\$ 2,854,495</u></u>	<u>\$ -</u>	<u>\$ -</u>	<u><u>\$ 2,854,495</u></u>

The following table sets forth a summary of the changes in the fair value of the Organization's beneficial interest in the charitable remainder unitrust for the years ended September 30:

	2017	2016
Beginning of year	\$ 1,219,285	\$ 1,182,462
Net investment gain (loss)	<u>(29,500)</u>	<u>36,823</u>
End of Year	<u><u>\$ 1,189,785</u></u>	<u><u>\$ 1,219,285</u></u>

The following table sets forth a summary of the changes in the fair value of the Organization's beneficial interest in funds held at the Community Foundation for Southeast Michigan for the years ended September 30:

	2017	2016
Beginning of year	\$ 1,635,210	\$ 1,572,645
Fees paid	(17,575)	(16,956)
Net investment income	193,097	159,263
Distributions	<u>(77,234)</u>	<u>(79,742)</u>
End of Year	<u><u>\$ 1,733,498</u></u>	<u><u>\$ 1,635,210</u></u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 3 - Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 125,295	\$ 125,295
Building and building improvements	6,608,594	6,543,881
Warehouse equipment	1,237,862	1,150,272
Furniture and equipment	1,544,331	1,534,481
Vehicles	<u>818,317</u>	<u>804,239</u>
Total Property and Equipment	10,334,399	10,158,168
Less: Accumulated depreciation	<u>(6,711,815)</u>	<u>(6,326,655)</u>
Net Property and Equipment	<u>\$ 3,622,584</u>	<u>\$ 3,831,513</u>

NOTE 4 - Promises to Give for the Use of Facilities

The composition of promises to give for the use of the Mercado Pantry facilities is as follows at September 30:

	<u>2017</u>	<u>2016</u>
Promises to give for the use of facilities	\$ 56,478	\$ 205,036
Less: unamortized discount (to net present value)	<u>-</u>	<u>6,598</u>
Promises to Give, Net	<u>\$ 56,478</u>	<u>\$ 198,438</u>

Rent expense for the use of facilities expected to be recognized in the following year ending September 30, 2018 is \$56,478.

NOTE 5 - Donated Food Received and Distributed

Donated food received and distributed are estimates of the dollar value of the donated food processed by the Organization. The value of donated food received and distributed was recorded as revenue and expense, respectively, based on the weighted average of inventory values (price per pound) at the beginning and end of year.

Pounds of food distributed by the Organization were as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Donated	27,818,292	26,653,156
Purchased	<u>14,211,548</u>	<u>12,281,193</u>
Total	<u>42,029,840</u>	<u>38,934,349</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 6 - Line of Credit

The Organization has a line-of-credit agreement with a bank under which the Organization may borrow up to \$1,000,000, due on demand, at the Daily LIBOR Rate plus 2% (effective rate of 3.24% and 2.53% as of September 30, 2017 and 2016, respectively), collateralized by inventory and accounts receivable of the Organization. The line of credit becomes due in August 2018. There were no outstanding borrowings as of September 30, 2017 and 2016.

NOTE 7 - Defined Contribution Plan

Effective July 1, 2008, the Organization began sponsoring a defined contribution retirement plan for its employees who have attained the age of 21 and sixty days of service. Participants may make contributions of their compensation up to the legal limit prescribed by section 401(k) of the Internal Revenue Code. The Organization does not make matching contributions; however, the Organization may make a profit sharing contribution at its discretion, which will be allocated among all eligible employees with a minimum of one year of service, whether or not they make contributions to the Plan. Participants are fully vested in employer match contributions and profit sharing contributions after five years of service. Employer profit sharing expense was \$0 and \$45,000 for the years ended September 30, 2017 and 2016, respectively.

NOTE 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of September 30:

	<u>2017</u>	<u>2016</u>
Program services	\$ 359,721	\$ 833,478
Client choice pantries	150,000	150,000
Beneficial interest in charitable remainder unitrust	1,189,785	1,219,285
Mercado Pantry	526,920	388,477
Mercado Pantry use of facilities	56,478	198,438
Other time restrictions	<u>114,700</u>	<u>41,000</u>
Total	<u>\$ 2,397,604</u>	<u>\$ 2,830,678</u>

NOTE 9 - Permanently Restricted Net Assets

Permanently restricted net assets consist of the following components as of September 30:

	<u>2017</u>	<u>2016</u>
Cash surrender value of life insurance (proceeds of policy to be utilized to fund an endowment)	\$ 8,835	\$ 77,697
Beneficial interest in Community Foundation Endowment Fund	<u>1,733,498</u>	<u>1,635,210</u>
Total Permanently Restricted Net Assets	<u>\$ 1,742,333</u>	<u>\$ 1,712,907</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 10 - Community Foundation Endowment Fund

The Organization has transferred assets to the Community Foundation Endowment Fund for Southeast Michigan (the "Foundation") to establish an endowment fund. The agreement states that the transfer is irrevocable and that the assets will not be returned to the Organization. However, the Foundation will make distributions of income earned on the endowment fund to the Organization, subject to the Foundation's spending policy. Distributions received totaled \$77,234 and \$79,742 during the years ended September 2017 and 2016, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$1,733,498 and \$1,635,210 at September 30, 2017 and 2016, respectively.

In addition, the Foundation has received donations directly from unrelated parties for the benefit of the Organization. The Foundation has retained variance power for these donations. The Organization has not recorded any interest in these assets in the accompanying financial statements. The balance of these invested assets is not recorded in the Organization's financial statements and totaled \$1,936,663 and \$1,826,415 at September 30, 2017 and 2016, respectively.

NOTE 11 - Beneficial Interest in Charitable Remainder Unitrust

The Organization has been named a beneficiary in a charitable remainder unitrust for which a third party serves as trustee. The trust is irrevocable and upon the death of the last remaining recipient, the Organization will receive 20% of the trust net assets. The Organization is not restricted in the use of the trust assets once received. The Organization has recorded a beneficial interest in the charitable remainder unitrust totaling \$1,189,785 and \$1,219,285 at September 30, 2017 and 2016, respectively.

NOTE 12 - Leases

The Organization has a five year operating lease for a warehouse and distribution facility in Howell, Michigan. Monthly payments are required through July 2022. The Organization has a three year operating lease for a warehouse and distribution facility in Taylor, Michigan. Monthly payments are required through September 2018. The Organization also operates warehouse and distribution facilities in Warren, Michigan under a five year operating lease agreement. Monthly payments are required through March 2021. The Organization also leases vehicles under terms of various operating leases. Monthly payments are required through November 2023.

Total rent expense for vehicles, equipment and facilities was \$632,314 and \$729,071 for the years ended September 30, 2017 and 2016, respectively, and comprised of the following for the year ended September 30:

	<u>2017</u>	<u>2016</u>
Building and warehouse equipment (included in Rent)	\$ 238,847	\$ 285,948
Vehicle (included in Transportation)	365,370	391,257
Office equipment (included in Office Supplies)	<u>28,097</u>	<u>51,866</u>
Total Rent Expense	<u>\$ 632,314</u>	<u>\$ 729,071</u>

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2017 and 2016

NOTE 12 - Leases (cont.)

The following is a schedule of annual future minimum lease payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2017:

2018	\$ 520,393
2019	378,799
2020	336,695
2021	223,897
2022	164,163
Thereafter	<u>72,049</u>
	<u>\$ 1,695,996</u>

NOTE 13 - Future Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

During May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization may elect to apply the guidance earlier, but no earlier than fiscal years beginning after December 15, 2016. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU 2014-09 and 2015-14 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2017 and 2016

NOTE 13 - Future Accounting Pronouncements (cont.)

During July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 requires entities to measure inventory, other than inventory measured using the last-in, first-out or retail inventory methods, at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal, and transportation. ASU 2015-11 is effective for annual periods beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. Early adoption is permitted. The Organization is currently assessing the effect that ASU 2015-11 will have on its results of operations, financial position and cash flows.

SUPPLEMENTAL INFORMATION (UNAUDITED)

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SCHEDULE OF OPERATING HIGHLIGHTS (UNAUDITED) For the Years Ended September 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pounds of food distributed	42,029,840	38,934,349	34,536,268	34,033,691	41,601,477
Pounds of donated food in ending inventory	750,262	1,164,827	791,385	1,554,000	902,000
Weighted average cost per pound	\$ 3.17	\$ 2.08	\$ 1.81	\$ 1.77	\$ 1.87
Pounds of purchased food in ending inventory	356,259	575,717	544,800	553,000	473,000
Cost per pound	\$ 0.70	\$ 0.46	\$ 0.42	\$ 0.49	\$ 0.48
Inventory turnover	35.8	28.4	20.7	25.5	24.7

OTHER INDEPENDENT AUDITORS' REPORTS

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*

INDEPENDENT AUDITORS' REPORT

Board of Directors
Gleaners Community Food Bank of Southeastern Michigan
Detroit, Michigan

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 financial statements of Gleaners Community Food Bank of Southeastern Michigan (the "Organization"), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 financial statements are free from 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 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*.

Board of Directors
Gleaners Community Food Bank of Southeastern Michigan

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
January 15, 2018

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Directors
Gleaners Community Food Bank of Southeastern Michigan
Detroit, Michigan

Report on Compliance for Each Major Federal Program

We have audited Gleaners Community Food Bank of Southeastern Michigan's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 September 30, 2017.

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 each 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
January 15, 2018

OTHER INFORMATION

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S DEPARTMENT OF AGRICULTURE			
Food Distribution Cluster			
Passed through the Michigan Department of Education			
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (Administrative Costs)	10.568	82SF13000	\$ 89,056
Emergency Food Assistance (Food Commodities)	10.569	82SF13000	<u>2,439,180</u>
Total Food Distribution Cluster			<u>2,528,236</u>
Child Nutrition Cluster			
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.559	82SF13000	<u>538,182</u>
Total Child Nutrition Cluster			<u>538,182</u>
Passed through the Michigan Department of Education			
Passed through the Food Bank Council of Michigan			
Child and Adult Care Food Program	10.558	82SF13000	<u>388,610</u>
Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Program			
Passed through the Michigan Department of Health and Human Services			
Passed through the Michigan Fitness Foundation		FY 15	
Cooking Matters - Nutrition Program	10.561	GCFB	<u>275,600</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>275,600</u>
TOTAL U.S DEPARTMENT OF AGRICULTURE			<u>3,730,628</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Emergency Food and Shelter National Board Program			
Emergency Food and Shelter National Board Program - Macomb	97.024	474600-020	69,501
Emergency Food and Shelter National Board Program - Detroit City	97.024	484400-226	282,989
Emergency Food and Shelter National Board Program - Wayne County	97.024	483600-047	262,495
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	<u>210,085</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>825,070</u>
TOTAL FEDERAL AWARDS			<u>\$ 4,555,698</u>

See accompanying notes to schedule of expenditures of federal awards

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2017

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Gleaners Community Food Bank of Southeastern Michigan (the "Organization") under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended September 30, 2017

Section I: Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____	X	reported

Noncompliance material to financial statements noted?	_____	yes	_____	X	no
---	-------	-----	-------	---	----

Federal Awards

Internal control over the major federal programs:

Material weakness(es) identified?	_____	yes	_____	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____	X	reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	yes	_____	X	no
--	-------	-----	-------	---	----

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.568	Food Distribution Cluster
10.569	Food Distribution Cluster

Dollar threshold used to distinguish between federal Type A and Type B programs	\$ 750,000
---	------------

Auditee qualified as low-risk auditee?	_____	yes	_____	X	no
--	-------	-----	-------	---	----

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)
For the Year Ended September 30, 2017

Section II: Financial Statement Findings

None

Section III: Federal Findings and Questioned Costs

None

GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2017

2015-001

Statement of Condition: During the audit, we evaluated the effectiveness of the controls over various transaction cycles. As a result of these procedures, we found various internal control weaknesses relating to segregation of duties. The following are areas where your controls over transactions could be improved:

Controls over Journal Entries:

An employee that has the ability to make journal entries to the financial records of the Organization should be reviewed or approved by a person other than the preparer. This employee should also refrain from opening the mail to separate custody of checks and invoices.

Controls over Accounts Payable/Disbursements:

The responsibilities of opening the mail, generating checks, authorizing payment/positive pay, and posting disbursement transactions should be separated.

Controls Over Payroll:

The responsibilities of establishing new employees within the Organization's payroll system and processing payroll should be separated. The personnel responsible for sorting mail, which includes payroll checks, should be separate from those who record and approve. In addition, the process of reviewing the reconciliation of the third party payroll report to the general ledger should be performed by someone other than the person performing the reconciliation.

Controls over Accounts Receivable/Receipts:

The responsibilities for opening the mail, preparing the deposit, recording the transaction, and reviewing the deposit against the general ledger should be separated.

Controls over Bank Reconciliations:

The responsibilities for preparing the bank reconciliation, preparing/performing the cash deposit should be separated. Documentation of the bank reconciliation reviewed by someone other than the person performing the reconciliation should be retained.

Status: Corrective action was taken.

2015-003

Statement of Condition: During the audit, we evaluated the effectiveness of the controls over various transaction cycles. As a result of these procedures, we found various internal control deficiencies in the design of policies. The following are areas where your control over transactions could be improved:

Controls over Vendor Management:

There is neither a control designed to manage the creation of new vendors nor is there a control designed to manage inactive or old vendors.

Controls over third party payroll system access:

The individual who submits payroll should be separate from those who have access to add/delete employees and rates in the payroll system. Access to the third party system should be limited to active employees.

Status: Corrective action was taken.