

**GLEANERS COMMUNITY FOOD BANK OF  
SOUTHEASTERN MICHIGAN**

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2018 and 2017

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

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## 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, 2018, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, 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 the 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 February 5, 2019 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 solely 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.

*Baker Tilly Virchow Krause, LLP*

Southfield, Michigan  
February 5, 2019

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF FINANCIAL POSITION As of September 30, 2018 and 2017

<b>ASSETS</b>		
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,530,529	\$ 5,457,690
Receivables		
Trade receivable, net of allowance	373,440	340,664
Grants receivable	262,628	345,085
Promises to give, net of allowance	1,333,062	153,200
Promises to give for the use of facilities and equipment	284,613	56,478
Food inventories		
Donated inventory	1,372,390	2,378,331
Purchased inventory	246,718	250,705
Prepaid expenses	253,647	91,236
Total Current Assets	8,657,027	9,073,389
<b>PROPERTY AND EQUIPMENT, NET</b>	3,759,687	3,622,584
<b>OTHER ASSETS</b>		
Promises to give, non-current	35,000	-
Promises to give for the use of facilities and equipment, non-current	207,025	-
Cash surrender value of life insurance	-	8,835
Beneficial interest in charitable remainder unitrust	1,003,729	1,189,785
Beneficial interest in funds held at the Community Foundation for Southeastern Michigan	1,754,425	1,733,498
Total Other Assets	3,000,179	2,932,118
<b>TOTAL ASSETS</b>	<b>\$ 15,416,893</b>	<b>\$ 15,628,091</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 686,455	\$ 723,118
Accrued liabilities	478,461	531,517
Total Current Liabilities	1,164,916	1,254,635
<b>NET ASSETS</b>		
Unrestricted		
Cash and other activities	8,822,159	7,855,188
Noncash food donations/distributions	1,372,390	2,378,331
Total Unrestricted	10,194,549	10,233,519
Temporarily restricted	2,303,003	2,397,604
Permanently restricted	1,754,425	1,742,333
Total Net Assets	14,251,977	14,373,456
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 15,416,893</b>	<b>\$ 15,628,091</b>

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF ACTIVITIES For the Year Ended September 30, 2018 (with Comparative Totals for the Year Ended September 30, 2017)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Total Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
<b>REVENUE AND OTHER SUPPORT</b>							
Donated food received	\$ -	\$ 52,295,857	\$ 52,295,857	\$ -	\$ -	\$ 52,295,857	\$ 89,939,405
Contributions, grants and other revenue							
Contributions	12,239,772	-	12,239,772	2,419,451	-	14,659,223	13,592,771
Special events, net of direct expenses of \$542,462 and \$495,091 in 2018 and 2017, respectively	274,952	-	274,952	-	-	274,952	277,053
Grants and indirect support	1,504,539	-	1,504,539	-	-	1,504,539	2,032,893
Purchased food revenue	3,872,839	-	3,872,839	-	-	3,872,839	3,885,886
Agency shared maintenance fee	521,118	-	521,118	-	-	521,118	695,320
Change in beneficial interest in charitable remainder unitrust	-	-	-	(186,056)	-	(186,056)	(29,500)
Investment income	163,453	-	163,453	-	-	163,453	159,601
Change in cash surrender value of life insurance	-	-	-	-	(8,835)	(8,835)	(68,862)
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	-	-	-	-	20,927	20,927	98,288
Other	202,546	-	202,546	-	-	202,546	164,359
Total Contributions, Grants and Other Revenue	<u>18,779,219</u>	<u>-</u>	<u>18,779,219</u>	<u>2,233,395</u>	<u>12,092</u>	<u>21,024,706</u>	<u>20,807,809</u>
Net assets released from restrictions	2,327,996	-	2,327,996	(2,327,996)	-	-	-
Total Revenue and Other Support	<u>21,107,215</u>	<u>52,295,857</u>	<u>73,403,072</u>	<u>(94,601)</u>	<u>12,092</u>	<u>73,320,563</u>	<u>110,747,214</u>
<b>EXPENSES</b>							
Program services - Food Bank							
Personnel expense	4,751,673	-	4,751,673	-	-	4,751,673	4,821,567
Purchased food distributed	4,805,005	-	4,805,005	-	-	4,805,005	4,756,905
Donated food distributed	-	53,301,798	53,301,798	-	-	53,301,798	89,964,134
Transportation expenses	960,150	-	960,150	-	-	960,150	918,067
Occupancy expense	1,856,179	-	1,856,179	-	-	1,856,179	1,624,936
General and administrative expense	2,454,189	-	2,454,189	-	-	2,454,189	4,465,428
Total Program Services - Food Bank	<u>14,827,196</u>	<u>53,301,798</u>	<u>68,128,994</u>	<u>-</u>	<u>-</u>	<u>68,128,994</u>	<u>106,551,037</u>
Supporting services							
Management and general	1,743,957	-	1,743,957	-	-	1,743,957	1,038,678
Fundraising	3,569,091	-	3,569,091	-	-	3,569,091	2,542,764
Total Supporting Services	<u>5,313,048</u>	<u>-</u>	<u>5,313,048</u>	<u>-</u>	<u>-</u>	<u>5,313,048</u>	<u>3,581,442</u>
Total Expenses	<u>20,140,244</u>	<u>53,301,798</u>	<u>73,442,042</u>	<u>-</u>	<u>-</u>	<u>73,442,042</u>	<u>110,132,479</u>
<b>CHANGE IN NET ASSETS</b>	966,971	(1,005,941)	(38,970)	(94,601)	12,092	(121,479)	614,735
<b>NET ASSETS - Beginning of Year</b>	7,855,188	2,378,331	10,233,519	2,397,604	1,742,333	14,373,456	13,758,721
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,822,159</u>	<u>\$ 1,372,390</u>	<u>\$ 10,194,549</u>	<u>\$ 2,303,003</u>	<u>\$ 1,754,425</u>	<u>\$ 14,251,977</u>	<u>\$ 14,373,456</u>

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (121,479)	\$ 614,735
Adjustments to reconcile change in net assets to net cash flows from (used in) operating activities		
Depreciation	342,998	393,919
Noncash rent and vehicle expense for use of facilities and equipment	218,965	141,360
Bad debt expense (recovery)	(63)	34,428
Loss on disposal of fixed assets	9,883	-
Change in donated food inventories	1,005,941	24,729
Change in beneficial interest in Community Foundation for Southeast Michigan	(20,927)	(98,288)
Change in beneficial interest in charitable remainder unitrust	186,056	29,500
Change in cash surrender value of life insurance	8,835	68,862
Changes in operating assets and liabilities that provided (used) cash		
Trade receivables, grants receivable and promises to give	(1,819,243)	250,672
Purchased inventory	3,987	16,489
Prepaid expenses	(162,411)	31,188
Accounts payable	(36,663)	(35,782)
Accrued liabilities	(53,056)	31,197
Net Cash Flows from (used in) Operating Activities	(437,177)	1,503,009
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(489,984)	(184,990)
Net Cash Flows used in Investing Activities	(489,984)	(184,990)
<b>Net Change in Cash and Cash Equivalents</b>	(927,161)	1,268,619
CASH AND CASH EQUIVALENTS - Beginning of Year	5,457,690	4,189,071
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 4,530,529	\$ 5,457,690
<b>Supplemental cash flow disclosures</b>		
Value of donated food received	\$ 52,295,857	\$ 89,939,405
Value of donated food distributed	53,301,798	89,964,134

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF FUNCTIONAL EXPENSES For the Year Ended September 30, 2018 (with Comparative Totals for the Year Ended September 30, 2017)

	Program Services- Food Bank	Management and General	Fundraising	2018 Total	2017 Total
<b>Personnel Expense</b>					
Salaries	\$ 3,757,165	\$ 1,104,986	\$ 1,025,015	\$ 5,887,166	\$ 5,678,028
Payroll taxes and employee benefits	994,508	288,853	272,666	1,556,027	1,361,387
<b>Total Personnel Expense</b>	<u>4,751,673</u>	<u>1,393,839</u>	<u>1,297,681</u>	<u>7,443,193</u>	<u>7,039,415</u>
<b>Transportation Expense</b>	<u>960,150</u>	<u>-</u>	<u>12,892</u>	<u>973,042</u>	<u>918,067</u>
<b>Occupancy Expense</b>					
Depreciation	342,998	-	-	342,998	393,919
Rent	533,327	-	-	533,327	238,847
Warehouse supplies	197,309	-	-	197,309	234,406
Utilities	345,811	-	-	345,811	329,473
Insurance	33,300	-	-	33,300	50,742
Repairs and maintenance	253,655	27,045	1,413	282,113	279,545
Security	85,257	-	-	85,257	64,654
Uniforms	18,067	-	-	18,067	23,188
Other occupancy	46,455	-	-	46,455	24,643
<b>Total Occupancy Expense</b>	<u>1,856,179</u>	<u>27,045</u>	<u>1,413</u>	<u>1,884,637</u>	<u>1,639,417</u>
<b>Other Operating Expense</b>					
Food bank affiliation requirements	-	-	-	-	71,303
Telephone	97,895	12,442	26,192	136,529	122,574
Food bank expense	774,668	832	39,531	815,031	1,001,956
Travel and meetings	99,577	29,068	12,495	141,140	120,108
Office supplies and expense	188,327	47,786	79,120	315,233	443,922
Online service	-	-	1,468	1,468	1,562
Solicitation mailings	-	-	1,191,499	1,191,499	1,132,245
Public relations	2,034	-	-	2,034	12,579
Bank service charges	-	90,189	98,434	188,623	209,116
Bad debts	-	-	(63)	(63)	34,428
Agency support	935,723	-	6,357	942,080	1,252,756
Professional fees	337,331	125,365	388,370	851,066	512,653
Media and communications	18,634	-	413,702	432,336	486,846
Federal Emergency Management Agency distributed	-	-	-	-	259,948
Miscellaneous	-	17,391	-	17,391	152,545
<b>Total Other Operating Expense</b>	<u>2,454,189</u>	<u>323,073</u>	<u>2,257,105</u>	<u>5,034,367</u>	<u>5,814,541</u>
<b>Subtotal</b>	10,022,191	1,743,957	3,569,091	15,335,239	15,411,440
Purchased food distributed	4,805,005	-	-	4,805,005	4,756,905
Donated food distributed	53,301,798	-	-	53,301,798	89,964,134
<b>Total Expenses</b>	<u>\$ 68,128,994</u>	<u>\$ 1,743,957</u>	<u>\$ 3,569,091</u>	<u>\$ 73,442,042</u>	<u>\$ 110,132,479</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, 2018 and 2017

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## **NOTE 1 - Summary of Significant Accounting Policies**

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### *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.

### *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 3 to the financial statements.

### *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 \$10,608 and \$10,644 as of September 30, 2018 and 2017, respectively.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

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

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#### *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, 2018 and 2017.

#### *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 \$18,700 and \$30,000 as of September 30, 2018 and 2017, respectively.

#### *Promises to Give for the Use of Facilities and Equipment*

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 2021 with an optional renewal period. The Organization also leases vehicles for the operation of a pantry and other community related activities. The lease and donor commitment currently expire in February 2019. The Organization has recorded promises to give of \$491,638 and \$56,478 on the statements of financial position for the years ending September 30, 2018 and 2017, 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.

#### *Prepaid Expenses*

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

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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

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### *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 activities” 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.

### *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.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

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

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### *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, 2018 and 2017.

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, 2018 or 2017, 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, 2018 and 2017

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

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#### *Summarized 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 conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

#### *Reclassification*

For comparability, certain 2017 amounts have been reclassified to conform with classifications adopted in 2018. The reclassifications have no effect on reported amounts of net assets or change in net assets.

#### *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.

#### *Subsequent Events*

The Organization has evaluated events through February 5, 2019, which is the date the financial statements were approved and available to be issued.

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### **NOTE 2 - Promises to Give**

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The composition of promises to give is as follows at September 30:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 1,351,762	\$ 183,200
Less: Allowance for doubtful accounts	<u>(18,700)</u>	<u>(30,000)</u>
Total current promises to give, net of allowance	<u>1,333,062</u>	<u>153,200</u>
One to five years	<u>35,000</u>	<u>-</u>
Total promises to give, net	<u>\$ 1,368,062</u>	<u>\$ 153,200</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

### **NOTE 3 - 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 3.4% and a discount rate of 3% as of September 30, 2018. The rate of return was 3.7% and the discount rate was 3% as of September 30, 2017.

**Beneficial Interest in funds held at the 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.

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:

	<b>September 30, 2018</b>			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,003,729	\$ -	\$ -	\$ 1,003,729
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,754,425</u>	-	-	<u>1,754,425</u>
Total	<u>\$ 2,758,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,758,154</u>
	<b>September 30, 2017</b>			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,189,785	\$ -	\$ -	\$ 1,189,785
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,733,498</u>	-	-	<u>1,733,498</u>
Total	<u>\$ 2,923,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,923,283</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

### **NOTE 3 - Fair Value Measurements (cont.)**

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:

	2018	2017
Beginning of year	\$ 1,189,785	\$ 1,219,285
Net investment loss	(186,056)	(29,500)
End of Year	\$ 1,003,729	\$ 1,189,785

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:

	2018	2017
Beginning of year	\$ 1,733,498	\$ 1,635,210
Fees paid	(17,047)	(17,575)
Net investment income	112,071	193,097
Distributions	(74,097)	(77,234)
End of Year	\$ 1,754,425	\$ 1,733,498

### **NOTE 4 - Property and Equipment**

Property and equipment consist of the following at September 30:

	2018	2017
Land	\$ 447,481	\$ 125,295
Building and building improvements	6,696,437	6,608,594
Warehouse equipment	1,301,739	1,237,862
Furniture and equipment	1,544,331	1,544,331
Vehicles	818,317	818,317
Total Property and Equipment	10,808,305	10,334,399
Less: Accumulated depreciation	(7,048,618)	(6,711,815)
Net Property and Equipment	\$ 3,759,687	\$ 3,622,584

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

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### **NOTE 5 - Promises to Give for the Use of Facilities and Equipment**

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The composition of promises to give for the use of the Mercado Pantry facilities and United Way vehicles are as follows at September 30:

	<u>2018</u>	<u>2017</u>
Promises to give for the use of equipment	\$ 142,653	\$ -
Promises to give for the use of facilities	<u>348,985</u>	<u>56,478</u>
Total Promises to Give	<u>\$ 491,638</u>	<u>\$ 56,478</u>

Rent and vehicle expenses for the use of facilities and equipment are expected to be recognized in the following years ending September 30:

2019	\$ 567,902
2020	486,981
2021	<u>341,746</u>
Total	<u>\$ 1,396,629</u>

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### **NOTE 6 - Donated Food Received and Distributed**

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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>2018</u>	<u>2017</u>
Donated	30,082,046	28,846,866
Purchased	<u>14,632,862</u>	<u>14,211,548</u>
Total	<u>44,714,908</u>	<u>43,058,414</u>

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### **NOTE 7 - Line of Credit**

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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 4.26% and 3.24% as of September 30, 2018 and 2017, respectively), collateralized by inventory and accounts receivable of the Organization. The line of credit becomes due in August 2019. There were no outstanding borrowings as of September 30, 2018 and 2017.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

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### NOTE 8 - Defined Contribution Plan

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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 \$54,145 and \$0 for the years ended September 30, 2018 and 2017, respectively.

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### NOTE 9 - Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Program services	\$ 400,707	\$ 359,721
Client choice pantries	77,470	150,000
Beneficial interest in charitable remainder unitrust	1,003,729	1,189,785
Mercado Pantry	330,863	526,920
Mercado Pantry use of facilities	348,985	56,478
Livingston renovation	42,500	-
Other time restrictions	<u>98,749</u>	<u>114,700</u>
Total	<u>\$ 2,303,003</u>	<u>\$ 2,397,604</u>

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### NOTE 10 - Permanently Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Cash surrender value of life insurance	\$ -	\$ 8,835
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,754,425</u>	<u>1,733,498</u>
Total Permanently Restricted Net Assets	<u>\$ 1,754,425</u>	<u>\$ 1,742,333</u>

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2018 and 2017

## **NOTE 11 - Beneficial Interest in Funds Held at the Community Foundation for Southeast Michigan**

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 \$74,097 and \$77,234 during the years ended September 2018 and 2017, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$1,754,425 and \$1,733,498 at September 30, 2018 and 2017, 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 \$1,960,266 and \$1,936,663 at September 30, 2018 and 2017, respectively.

## **NOTE 12 - 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 \$1,003,729 and \$1,189,785 at September 30, 2018 and 2017, respectively.

## **NOTE 13 - Leases**

The Organization leases office, warehouse, and distribution space in the following locations:

Location	Original Term	Through
Howell, MI	5 years	July 2022
Taylor, MI	5 years	September 2023
Warren, MI	5 years	March 2021

Total rent expense for vehicles, equipment and facilities was \$690,316 and \$632,314 for the years ended September 30, 2018 and 2017, respectively, and comprised of the following for the year ended September 30:

	2018	2017
Building and warehouse equipment (included in Rent)	\$ 269,039	\$ 238,847
Vehicle (included in Transportation)	376,625	365,370
Office equipment (included in Office Supplies)	44,652	28,097
Total Rent Expense	\$ 690,316	\$ 632,314

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2018 and 2017

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### NOTE 13 - Leases (cont.)

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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, 2018:

2019	\$ 567,902
2020	486,981
2021	341,746
2022	271,735
2023	187,020
2024 through 2029	<u>60,132</u>
Total	<u>\$ 1,396,629</u>

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### NOTE 14 - Future Accounting Pronouncements

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During May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 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 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 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.

During August 2016, the FASB issued 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. 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 November 2016, the FASB issued ASU 2016-18, "Restricted Cash", which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Organization is currently evaluating the effect that ASU 2016-18 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, 2018 and 2017

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## **NOTE 14 - Future Accounting Pronouncements (cont.)**

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During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU 2018-08 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

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	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Pounds of food distributed	44,714,908	43,058,414	38,934,349	34,536,268	34,033,691
Pounds of donated food in ending inventory	807,288	750,262	1,164,827	791,385	1,554,000
Weighted average cost per pound	\$ 1.70	\$ 3.17	\$ 2.08	\$ 1.81	\$ 1.77
Pounds of purchased food in ending inventory	394,787	356,259	575,717	544,800	553,000
Cost per pound	\$ 0.62	\$ 0.70	\$ 0.46	\$ 0.42	\$ 0.49
Inventory turnover	27.4	35.8	28.4	20.7	25.5

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, 2018, 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 February 5, 2019.

**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*.

## **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  
February 5, 2019

REPORT ON COMPLIANCE FOR THE 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 The 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 the Organization's major federal program for the year ended September 30, 2018. The Organization's major federal program is 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 program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on the 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 its major federal program for the year ended September 30, 2018.

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

### Purpose of this Report

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  
February 5, 2019

## **OTHER INFORMATION**

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
<b>U.S DEPARTMENT OF AGRICULTURE</b>			
<b>Food Distribution Cluster</b>			
Passed through the Michigan Department of Education			
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (Administrative Costs)	10.568	82SF13000	\$ 87,506
Emergency Food Assistance (Food Commodities)	10.569	82SF13000	<u>2,084,692</u>
<b>Total Food Distribution Cluster</b>			<u>2,172,198</u>
<b>Child Nutrition Cluster</b>			
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.559	82SF13000	<u>488,198</u>
<b>Total Child Nutrition Cluster</b>			<u>488,198</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>263,680</u>
<b>Supplemental Nutrition Assistance Program Cluster</b>			
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 17	
Cooking Matters - Nutrition Program	10.561	GCFB	<u>260,000</u>
<b>Total Supplemental Nutrition Assistance Program Cluster</b>			<u>260,000</u>
<b>TOTAL U.S DEPARTMENT OF AGRICULTURE</b>			<u>3,184,076</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Emergency Food and Shelter National Board Program			
Emergency Food and Shelter National Board Program - Macomb	97.024	474600-020	<u>32,176</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>32,176</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 3,216,252</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, 2018

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### **NOTE 1 - Basis of Presentation**

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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, 2018. 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.

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### **NOTE 2 - Summary of Significant Accounting Policies**

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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.

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### **NOTE 3 - Indirect Cost Rate**

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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, 2018

### 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	_____ <u>X</u> _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <u>X</u> _____	reported

Noncompliance material to financial statements noted?	_____	yes	_____ <u>X</u> _____	no
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#### Federal Awards

Internal control over the major federal programs:

Material weakness(es) identified?	_____	yes	_____ <u>X</u> _____	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	_____ <u>X</u> _____	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	_____ <u>X</u> _____	no
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Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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
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Auditee qualified as low-risk auditee?	_____	yes	_____ <u>X</u> _____	no
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**GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.)  
For the Year Ended September 30, 2018

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**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

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**Section II: Financial Statement Findings**

**None**

**Section III: Federal Findings and Questioned Costs**

**None**