

**GLEANERS COMMUNITY FOOD BANK OF  
SOUTHEASTERN MICHIGAN**

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended September 30, 2019 and 2018

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

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## **Independent Auditors' Report**

To the Board of Directors of  
Gleaners Community Food Bank of Southeastern 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, 2019 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, 2019 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.

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited the Gleaners Community Food Bank of Southeastern Michigan's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Information*

Our audit were 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* 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 13, 2020 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 solely 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.

*Baker Tilly Virchow Krause, LLP*

Southfield, Michigan  
February 13, 2020

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF FINANCIAL POSITION As of September 30, 2019 and 2018

<b>ASSETS</b>		2019	2018
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	3,925,624	\$ 4,530,529
Receivables			
Trade receivable, net of allowance		532,673	373,440
Grants receivable		331,572	262,628
Promises to give, net of allowance		508,794	1,333,062
Promises to give for the use of facilities and equipment		141,960	284,613
Food inventories			
Donated inventory		2,735,832	1,372,390
Purchased inventory		269,020	246,718
Prepaid expenses		149,784	253,647
Total Current Assets		8,595,259	8,657,027
<b>PROPERTY AND EQUIPMENT, NET</b>		5,600,005	3,759,687
<b>OTHER ASSETS</b>			
Promises to give, non-current		71,429	35,000
Promises to give for the use of facilities and equipment, non-current		65,065	207,025
Beneficial interest in charitable remainder unitrust		1,006,597	1,003,729
Beneficial interest in funds held at the Community Foundation for Southeastern Michigan		1,729,042	1,754,425
Total Other Assets		2,872,133	3,000,179
<b>TOTAL ASSETS</b>		\$ 17,067,397	\$ 15,416,893
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	751,206	\$ 686,455
Accrued liabilities		498,850	478,461
Deferred revenue		17,606	-
Total Current Liabilities		1,267,662	1,164,916
<b>NET ASSETS</b>			
Without donor restrictions			
Cash and other activities		8,928,881	8,822,159
Noncash food donations/distributions		2,735,842	1,372,390
Total without donor restrictions		11,664,723	10,194,549
With donor restrictions		4,135,012	4,057,428
Total Net Assets		15,799,735	14,251,977
<b>TOTAL LIABILITIES AND NET ASSETS</b>		\$ 17,067,397	\$ 15,416,893

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF ACTIVITIES For the Year Ended September 30, 2019 (with Comparative Totals for the Year Ended September 30, 2018)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>REVENUE AND OTHER SUPPORT</b>						
Donated food received	\$ -	\$ 54,975,886	\$ 54,975,886	\$ -	\$ 54,975,886	\$ 52,295,857
Contributions, grants and other revenue						
Contributions	11,340,431	-	11,340,431	2,605,162	13,945,593	14,659,223
Special events, net of direct expenses of \$336,724 and \$542,462 in 2019 and 2018, respectively	447,916	-	447,916	-	447,916	274,952
Grants and indirect support	2,273,099	-	2,273,099	-	2,273,099	1,504,539
Purchased food revenue	3,894,135	-	3,894,135	-	3,894,135	3,872,839
Agency shared maintenance fee	488,586	-	488,586	-	488,586	521,118
Change in beneficial interest in charitable remainder unitrust	-	-	-	2,868	2,868	(186,056)
Investment income	168,622	-	168,622	-	168,622	163,453
Change in cash surrender value of life insurance	-	-	-	-	-	(8,835)
Change in beneficial interest in funds held at the Community Foundation for Southeastern Michigan	-	-	-	(25,384)	(25,384)	20,927
Other	347,869	-	347,869	-	347,869	202,546
Total Contributions, Grants and Other Revenue	<u>18,960,658</u>	<u>-</u>	<u>18,960,658</u>	<u>2,582,646</u>	<u>21,543,304</u>	<u>21,024,706</u>
Net assets released from restrictions	<u>2,505,062</u>	<u>-</u>	<u>2,505,062</u>	<u>(2,505,062)</u>	<u>-</u>	<u>-</u>
Total Revenue and Other Support	<u>21,465,720</u>	<u>54,975,886</u>	<u>76,441,606</u>	<u>77,584</u>	<u>76,519,190</u>	<u>73,320,563</u>
<b>EXPENSES</b>						
Program services - Food Bank						
Personnel expense	4,774,931	-	4,774,931	-	4,774,931	4,751,673
Purchased food distributed	4,721,426	-	4,721,426	-	4,721,426	4,805,005
Donated food distributed	-	53,612,434	53,612,434	-	53,612,434	53,301,798
Transportation expenses	1,089,788	-	1,089,788	-	1,089,788	960,150
Occupancy expense	2,103,224	-	2,103,224	-	2,103,224	1,856,179
General and administrative expense	2,650,864	-	2,650,864	-	2,650,864	2,454,189
Total Program Services - Food Bank	<u>15,340,233</u>	<u>53,612,434</u>	<u>68,952,667</u>	<u>-</u>	<u>68,952,667</u>	<u>68,128,994</u>
Supporting services						
Management and general	2,568,760	-	2,568,760	-	2,568,760	1,743,957
Fundraising	3,450,005	-	3,450,005	-	3,450,005	3,569,091
Total Supporting Services	<u>6,018,765</u>	<u>-</u>	<u>6,018,765</u>	<u>-</u>	<u>6,018,765</u>	<u>5,313,048</u>
Total Expenses	<u>21,358,998</u>	<u>53,612,434</u>	<u>74,971,432</u>	<u>-</u>	<u>74,971,432</u>	<u>73,442,042</u>
<b>CHANGE IN NET ASSETS</b>	106,722	1,363,452	1,470,174	77,584	1,547,758	(121,479)
<b>NET ASSETS - Beginning of Year</b>	<u>8,822,159</u>	<u>1,372,390</u>	<u>10,194,549</u>	<u>4,057,428</u>	<u>14,251,977</u>	<u>14,373,456</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 8,928,881</u>	<u>\$ 2,735,842</u>	<u>\$ 11,664,723</u>	<u>\$ 4,135,012</u>	<u>\$ 15,799,735</u>	<u>\$ 14,251,977</u>

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF CASH FLOWS For the Years Ended September 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,547,758	\$ (121,479)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	329,975	342,998
Noncash rent and vehicle expense for use of facilities and equipment	284,613	218,965
Bad debt expense (recovery)	56,250	(63)
Loss on disposal of fixed assets	-	9,883
Change in donated food inventories	(1,363,442)	1,005,941
Change in beneficial interest in Community Foundation for Southeastern Michigan	25,384	(20,927)
Change in beneficial interest in charitable remainder trust	(2,868)	186,056
Change in cash surrender value of life insurance	-	8,835
Change in operating assets and liabilities that provided (used) cash		
Trade receivables, grants receivable and promises to give	503,412	(1,819,243)
Purchased inventory	(22,302)	3,987
Prepaid expenses	103,863	(162,411)
Accounts payable	82,357	(36,663)
Accrued liabilities	20,388	(53,056)
Net Cash Flows from Operating Activities	1,565,388	(437,177)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(2,170,293)	(489,984)
<b>Net Change in Cash and Cash Equivalents</b>	(604,905)	(927,161)
CASH AND CASH EQUIVALENTS - Beginning of Year	4,530,529	5,457,690
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 3,925,624</b>	<b>\$ 4,530,529</b>
<b>Supplemental cash flow disclosures</b>		
Value of donated food received	\$ 54,975,886	\$ 52,295,857
Value of donated food distributed	53,612,434	53,301,798
Value of noncash rent expense for use of facilities	284,613	276,027

See accompanying notes to financial statements.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2019

(with Comparative Totals for the Year Ended September 30, 2018)

	Program Services- Food Bank	Management and General	Fundraising	2019 Total	2018 Total
<b>Personnel Expense</b>					
Salaries	\$ 3,802,088	\$ 1,510,969	\$ 1,002,935	\$ 6,315,992	\$ 5,887,166
Payroll taxes and employee benefits	972,843	397,966	261,171	1,631,980	1,556,027
<b>Total Personnel Expense</b>	<u>4,774,931</u>	<u>1,908,935</u>	<u>1,264,106</u>	<u>7,947,972</u>	<u>7,443,193</u>
<b>Transportation Expense</b>	<u>1,089,788</u>	-	-	<u>1,089,788</u>	<u>973,042</u>
<b>Occupancy Expense</b>					
Depreciation	319,204	4,504	6,267	329,975	342,998
Rent	435,000	-	-	435,000	533,327
Warehouse supplies	218,661	-	-	218,661	197,309
Utilities	394,078	1,322	3,765	399,165	345,811
Insurance	65,945	308	879	67,132	33,300
Repairs and maintenance	304,762	979	2,790	308,531	282,113
Security	255,311	1,195	3,405	259,911	85,257
Uniforms	10,130	-	-	10,130	18,067
Other occupancy	100,133	467	1,330	101,930	46,455
<b>Total Occupancy Expense</b>	<u>2,103,224</u>	<u>8,775</u>	<u>18,436</u>	<u>2,130,435</u>	<u>1,884,637</u>
<b>Other Operating Expense</b>					
Telephone	102,794	20,269	21,717	144,780	136,529
Food bank expense	901,795	481	62,100	964,376	815,031
Travel and meetings	103,965	25,998	6,413	136,376	141,140
Office supplies	268,165	80,598	31,753	380,516	315,233
Online service	-	-	1,202	1,202	1,468
Solicitation mailings	-	-	1,120,413	1,120,413	1,191,499
Public relations	46,448	-	524	46,972	2,034
Bank service charges	-	64,510	113,735	178,245	188,623
Bad debts	21,661	-	34,589	56,250	(63)
Event expense	-	-	336,724	336,724	-
Agency support	731,430	-	-	731,430	942,080
Professional fees	327,661	361,938	232,101	921,700	851,066
Media and communications	16,119	97,256	542,916	656,291	432,336
Federal Emergency Management Agency distributed	128,942	-	-	128,942	-
Miscellaneous	1,884	-	-	1,884	17,391
<b>Total Other Operating Expense</b>	<u>2,650,864</u>	<u>651,050</u>	<u>2,504,187</u>	<u>5,806,101</u>	<u>5,034,367</u>
<b>Subtotal</b>	10,618,807	2,568,760	3,786,729	16,974,296	15,335,239
Purchased food distributed	4,721,426	-	-	4,721,426	4,805,005
Donated food distributed	53,612,434	-	-	53,612,434	53,301,798
Less: Special Event Costs	-	-	(336,724)	(336,724)	-
<b>Total Expenses</b>	<u>\$ 68,952,667</u>	<u>\$ 2,568,760</u>	<u>\$ 3,450,005</u>	<u>\$ 74,971,432</u>	<u>\$ 73,442,042</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, 2019 and 2018

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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. Headquartered in Detroit, Gleaners operates five distribution centers in Wayne, Oakland, Macomb, Livingston and Monroe counties and provides food to member agencies like soup kitchens, food pantries, shelters, and other organizations throughout Southeast Michigan. The Organization exists to provide households with access to sufficient, nutritious food, and related resources. This is accomplished through collaboration, efficient operations, education, and innovative solutions to achieve a hunger-free community in Southeast Michigan.

### *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.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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

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#### *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 \$9,305 and \$10,608 as of September 30, 2019 and 2018, 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, 2019 and 2018.

#### *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 \$17,400 and \$18,700 as of September 30, 2019 and 2018, 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 expired in February 2019. The Organization has recorded promises to give of \$207,025 and \$491,638 on the statements of financial position for the years ending September 30, 2019 and 2018, respectively.

#### *Inventories*

Inventory of purchased food is stated at lower of cost, determined by first-in, first-out ("FIFO") method, or market. During 2018, donated food inventory was 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. Beginning in 2019, donated food inventory is valued at estimated fair value according to a single per pound amount for all inventory, determined by utilizing the Agreed Upon Procedures report prepared by RSM US LLP for Feeding America.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
As of and for the Years Ended September 30, 2019 and 2018

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

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### *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 presents information regarding its financial position and actives according to two classes of net assets described as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Revenues are reported as an increase in net assets without donor restrictions unless one of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. 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.

Net assets without donor restrictions 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 net asset without donor restrictions 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 net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2019 and 2018

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

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#### *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. Depreciation and occupancy expenses have been allocated between the various programs and supporting services based on estimates such as salary allocation and square footage, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

#### *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. The Organization recorded \$22,540 of donated legal services for the year ended September 30, 2019. No such services were provided for the year ended September 30, 2018.

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, 2019 or 2018, 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, 2019 and 2018

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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, 2018, from which the summarized information was derived.

#### *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.

#### *Adoption of Financial Accounting Standard Board's Accounting Standards Update*

In 2019, the Organization adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented, with the exception of the disclosure about liquidity, as permitted by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- > The unrestricted net assets class has been renamed net assets without donor restrictions;
- > The temporarily restricted and permanently restricted net asset classes have been combined and renamed net assets with donor restrictions;
- > The financial statements include a disclosure about liquidity and availability of resources at September 30, 2019 (Note 13).

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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

The adoption of ASU No. 2016-14 required a reclassification of beginning net assets balance as follows:

	Balance Previously Reported	Beginning of Year as Restated
Net assets without donor restrictions	\$ -	\$ 10,194,549
Net assets with donor restrictions	-	4,057,428
Net assets, unrestricted	10,194,549	-
Net assets, temporarily restricted	2,303,003	-
Net assets, permanently restricted	1,754,425	-
Total	\$ 14,251,977	\$ 14,251,977

#### *Subsequent Events*

The Organization has evaluated events through February 13, 2020, which is the date the financial statements were approved and available to be issued. On January 8, 2020, the Organization entered into a new line of credit agreement with PNC Bank, National Association for \$2,000,000.

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

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

	2019	2018
Less than one year	\$ 526,194	\$ 1,351,762
Less: Allowance for doubtful accounts	(17,400)	(18,700)
Total current promises to give, net of allowance	508,794	1,333,062
One to five years	71,429	35,000
Total promises to give, net	\$ 580,223	\$ 1,368,062

### **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.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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

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 3.9% and a discount rate of 3% as of September 30, 2019. The rate of return was 3.4% and the discount rate was 3% as of September 30, 2018.

**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, 2019</b>			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in Charitable Remainder Unitrust	\$ 1,006,597	\$ -	\$ -	\$ 1,006,597
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	1,729,042	-	-	1,729,042
Total	\$ 2,735,639	\$ -	\$ -	\$ 2,735,639
	<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	1,754,425	-	-	1,754,425
Total	\$ 2,758,154	\$ -	\$ -	\$ 2,758,154

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

### **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:

	2019	2018
Beginning of year	\$ 1,003,729	\$ 1,189,785
Net investment gain (loss)	2,868	(186,056)
End of Year	\$ 1,006,597	\$ 1,003,729

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:

	2019	2018
Beginning of year	\$ 1,754,425	\$ 1,733,498
Fees paid	(15,345)	(17,047)
Net investment income	64,225	112,071
Distributions	(74,263)	(74,097)
End of Year	\$ 1,729,042	\$ 1,754,425

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

Property and equipment consist of the following at September 30:

	2019	2018
Land	\$ 1,530,903	\$ 447,481
Building and building improvements	7,310,972	6,696,437
Warehouse equipment	1,301,739	1,301,739
Furniture and equipment	1,607,727	1,544,331
Vehicles	1,157,089	818,317
Construction in progress	53,097	-
Total Property and Equipment	12,961,527	10,808,305
Less: Accumulated depreciation	(7,361,522)	(7,048,618)
Net Property and Equipment	\$ 5,600,005	\$ 3,759,687

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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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 are as follows at September 30:

	<u>2019</u>	<u>2018</u>
Promises to give for the use of equipment	\$ -	\$ 142,653
Promises to give for the use of facilities	<u>207,025</u>	<u>348,985</u>
Total Promises to Give	<u>\$ 207,025</u>	<u>\$ 491,638</u>

Rent expense for the use of facilities is expected to be recognized in the following years ending September 30:

2020	\$ 141,960
2021	<u>65,065</u>
Total	<u>\$ 207,025</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>2019</u>	<u>2018</u>
Donated	\$ 32,537,913	\$ 30,082,046
Purchased	<u>13,156,454</u>	<u>14,632,862</u>
Total	<u>\$ 45,694,367</u>	<u>\$ 44,714,908</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 3.82% and 4.26% as of September 30, 2019 and 2018, respectively), collateralized by inventory and accounts receivable of the Organization. The line of credit becomes due in August 2020. There were no outstanding borrowings as of September 30, 2019 and 2018.

On January 8, 2020, the Organization expanded the above line of credit agreement to \$2,000,000.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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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 \$51,532 and \$54,145 for the years ended September 30, 2019 and 2018, respectively.

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### **NOTE 9 - Net Assets with Donor Restrictions**

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Net assets with donor restrictions are available for the following purposes or periods as of September 30:

	<u>2019</u>	<u>2018</u>
Program services	\$ 573,280	\$ 400,707
Client choice pantries	-	77,470
Beneficial interest in charitable remainder unitrust	1,006,597	1,003,729
Mercado Pantry	286,879	330,863
Mercado Pantry use of facilities	207,025	348,985
Livingston renovation	61,760	42,500
Time restrictions	240,000	98,749
Events	24,000	-
Other	6,429	-
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,729,042</u>	<u>1,754,425</u>
Total	<u>\$ 4,135,012</u>	<u>\$ 4,057,428</u>

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### **NOTE 10 - Beneficial Interest in Funds Held at the Community Foundation for Southeast Michigan**

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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 \$74,263 and \$74,097 during the years ended September 2019 and 2018, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$1,729,042 and \$1,754,425 at September 30, 2019 and 2018, 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 \$1,932,110 and \$1,960,266 at September 30, 2019 and 2018, respectively.

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

### **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 \$1,006,597 and \$1,003,729 at September 30, 2019 and 2018, respectively.

### **NOTE 12 - 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 \$730,123 and \$690,316 for the years ended September 30, 2019 and 2018, respectively, and comprised of the following for the year ended September 30:

	2019	2018
Building and warehouse equipment (included in Rent)	\$ 291,639	\$ 269,039
Vehicle (included in Rent and Transportation)	387,934	376,625
Office equipment (included in Office Supplies)	50,550	44,652
Total Rent Expense	\$ 730,123	\$ 690,316

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, 2019:

2020	\$ 514,367
2021	404,932
2022	323,186
2023	204,756
2024	83,555
2025 through 2026	46,678
Total	\$ 1,577,474

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended September 30, 2019 and 2018

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### NOTE 13 - Liquidity and Funds Available

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The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses and fixed asset additions not financed with debt are as follows:

	<u>2019</u>
Total current assets, at year-end	\$ 8,595,259
Less non-financial assets	
Promises to give for the use of facilities and equipment	141,960
Food inventories	3,004,852
Prepaid expenses	<u>149,784</u>
Financial assets, at year-end	5,298,663
Less net assets with donor restrictions	<u>4,135,012</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,163,651</u>

The Organization's practice is to structure its financial assets to be available as its general expenditures and other liabilities come due. Additionally, the Organization has access to a \$1,000,000 line of credit to use as needed. Net Assets with donor restrictions relating to program, food, and other operating amounts of approximately \$945,000 will be released in fiscal 2020. Subsequent to the financial statement date, the Organization committed to a new line of credit in the amount of \$2,000,000, which it could draw upon as needed.

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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") No. 2014-09, "Revenue from Contracts with Customers". ASU No. 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 No. 2015-14, which defers the effective date of ASU 2014-09. ASU No. 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 No. 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU No. 2016-02, "Leases". ASU No. 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 No. 2016-02 is effective for annual periods beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. The Organization is currently assessing the effect that ASU No. 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, 2019 and 2018

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

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During June 2018, the FASB issued ASU No. 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 No. 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 No. 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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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pounds of food distributed	45,694,367	44,714,908	43,058,414	38,934,349	34,536,268
Pounds of donated food in ending inventory	1,688,785	807,288	750,262	1,164,827	791,385
Weighted average cost per pound	\$ 1.62	\$ 1.70	\$ 3.17	\$ 2.08	\$ 1.81
Pounds of purchased food in ending inventory	430,734	394,787	356,259	575,717	544,800
Cost per pound	\$ 0.62	\$ 0.62	\$ 0.70	\$ 0.46	\$ 0.42
Inventory turnover	25.2	27.4	35.8	28.4	20.7

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, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2020.

**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 13, 2020

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, 2019. 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, 2019.

## 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 13, 2020

## **OTHER INFORMATION**

# GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended September 30, 2019

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 Food Bank Council of Michigan Emergency Food Assistance (Trade Mitigation Administrative Costs)	10.178	82SF13000	\$ 209,061
Emergency Food Assistance (CFSP Administrative Costs)	10.565	82SF13000	12,248
Emergency Food Assistance (Administrative Costs)	10.568	82SF13000	222,299
Emergency Food Assistance (Food Commodities)	10.569	82SF13000	3,213,310
Emergency Food Assistance (Administrative Costs)	10.568	82SF13000	5,306,906
Emergency Food Assistance (Food Commodities)	10.569	82SF13000	<u>141,540</u>
<b>Total Food Distribution Cluster</b>			<u>9,105,364</u>
<b>Child Nutrition Cluster</b>			
Passed through the Michigan Department of Education Summer Food Service Program for Children	10.559	82SF13000	531,670
Passed through the Michigan Department of Education Child and Adult Care Food Program	10.558	82SF13000	<u>380,107</u>
<b>Total Child Nutrition Cluster</b>			<u>911,777</u>
<b>Supplemental Nutrition Assistance Program Cluster</b>			
State Administrative Matching Grants for the Supplemental Nutrition Program Passed through the Michigan Fitness Foundation Cooking Matters - Nutrition Program	10.561	FY 19 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>			10,277,141
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<b>Emergency Food and Shelter National Board Program Phase 35</b>			
Emergency Food and Shelter National Board Program - Wayne County	97.024	483600-047	139,931
Emergency Food and Shelter National Board Program - Detroit City	97.024	484400-226	142,201
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	95,163

See accompanying notes to schedule of expenditures of federal awards.

**GLEANERS COMMUNITY FOOD BANK OF SOUTHEASTERN MICHIGAN**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Phase 36</b>			
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	103,331
Emergency Food and Shelter National Board Program - Macomb County	97.024	474600-020	<u>31,272</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>511,898</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 10,789,039</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, 2019

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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, 2019. 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, 2019

### 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
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#### 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
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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.178	Food Distribution Cluster
10.565	Food Distribution 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
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Auditee qualified as low-risk auditee?	_____X_____	yes	_____	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, 2019

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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, 2019**

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The previous audit of the Federal Awards Program was for the year ended September 30, 2018. There were no findings or questioned costs reported in the audit.