

Gleaners Community Food Bank of Southeastern Michigan

Financial Statements and
Supplementary Information

September 30, 2020 and 2019

Gleaners Community Food Bank of Southeastern Michigan

Table of Contents

September 30, 2020 and 2019

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7
Supplementary Information (Unaudited)	
Schedule of Operating Highlights	19
Other Independent Auditors' Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	22
Other Information	
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	28

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, 2020 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 audits 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, 2020 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audits 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 11, 2021 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 US, LLP

Southfield, Michigan
February 11, 2021

Gleaners Community Food Bank of Southeastern Michigan

Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 18,937,289	\$ 3,925,624
Receivables		
Trade receivables, net	787,821	532,673
Grants receivable	1,232,597	331,572
Promises to give, net of allowance	788,746	508,794
Promises to give for the use of facilities and equipment	65,065	141,960
Food inventories:		
Donated inventory	4,082,263	2,735,832
Purchased inventory	905,481	269,020
Prepaid expenses	250,779	149,784
	<u>27,050,041</u>	<u>8,595,259</u>
Total current assets		
	<u>27,050,041</u>	<u>8,595,259</u>
Property and Equipment, Net	<u>6,133,141</u>	<u>5,600,005</u>
Other Assets		
Promises to give, non-current	-	71,429
Promises to give for the use of facilities and equipment, non-current	-	65,065
Beneficial interest in charitable remainder unitrust	1,030,335	1,006,597
Beneficial interest in funds held at the Community Foundation for Southeastern Michigan	1,720,402	1,729,042
	<u>2,750,737</u>	<u>2,872,133</u>
Total other assets		
	<u>2,750,737</u>	<u>2,872,133</u>
Total assets	<u>\$ 35,933,919</u>	<u>\$ 17,067,397</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 910,596	\$ 751,206
Accrued liabilities	464,303	498,850
Deferred revenue	3,667,213	17,606
	<u>5,042,112</u>	<u>1,267,662</u>
Total current liabilities		
	<u>5,042,112</u>	<u>1,267,662</u>
Net Assets		
Without donor restrictions:		
Cash and other activities	21,427,786	8,928,881
Noncash food donations/distributions	4,082,273	2,735,842
	<u>25,510,059</u>	<u>11,664,723</u>
Total without donor restrictions		
	<u>25,510,059</u>	<u>11,664,723</u>
With donor restrictions	5,381,748	4,135,012
	<u>30,891,807</u>	<u>15,799,735</u>
Total net assets		
	<u>30,891,807</u>	<u>15,799,735</u>
Total liabilities and net assets	<u>\$ 35,933,919</u>	<u>\$ 17,067,397</u>

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Activities

Year Ended September 30, 2020 (with Comparative Totals for the Year Ended September 30, 2019)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Other Support						
Donated food received	\$ -	\$ 76,705,916	\$ 76,705,916	\$ -	\$ 76,705,916	\$ 54,975,886
Contributions, grants and other revenue:						
Contributions	25,434,724	-	25,434,724	4,423,449	29,858,173	13,945,593
Special events, net of direct expenses of \$102,140 and \$336,724 in 2020 and 2019, respectively	203,704	-	203,704	-	203,704	447,916
Grants and indirect support	6,601,660	-	6,601,660	-	6,601,660	2,273,099
Purchased food revenue	6,507,192	-	6,507,192	-	6,507,192	3,894,135
Agency shared maintenance fee	504,987	-	504,987	-	504,987	488,586
Change in beneficial interest in charitable remainder unitrust	-	-	-	23,738	23,738	2,868
Investment income	165,880	-	165,880	-	165,880	168,622
Change in beneficial interest in funds held at the Community Foundation for Southeastern Michigan	-	-	-	(8,640)	(8,640)	(25,384)
Other	262,927	-	262,927	-	262,927	347,869
Total contributions, grants and other revenue	<u>39,681,074</u>	<u>-</u>	<u>39,681,074</u>	<u>4,438,547</u>	<u>44,119,621</u>	<u>21,543,304</u>
Net assets released from restrictions	<u>3,191,811</u>	<u>-</u>	<u>3,191,811</u>	<u>(3,191,811)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>42,872,885</u>	<u>76,705,916</u>	<u>119,578,801</u>	<u>1,246,736</u>	<u>120,825,537</u>	<u>76,519,190</u>
Expenses						
Program services:						
Personnel	6,920,912	-	6,920,912	-	6,920,912	4,774,931
Purchased food distributed	10,138,049	-	10,138,049	-	10,138,049	4,721,426
Donated food distributed	-	75,359,485	75,359,485	-	75,359,485	53,612,434
Transportation	971,148	-	971,148	-	971,148	1,089,788
Occupancy	2,710,026	-	2,710,026	-	2,710,026	2,103,224
Other operating	2,759,363	-	2,759,363	-	2,759,363	2,650,864
Total program services	<u>23,499,498</u>	<u>75,359,485</u>	<u>98,858,983</u>	<u>-</u>	<u>98,858,983</u>	<u>68,952,667</u>
Supporting services:						
Management and general	2,811,404	-	2,811,404	-	2,811,404	2,568,760
Fundraising	4,063,078	-	4,063,078	-	4,063,078	3,450,005
Total supporting services	<u>6,874,482</u>	<u>-</u>	<u>6,874,482</u>	<u>-</u>	<u>6,874,482</u>	<u>6,018,765</u>
Total expenses	<u>30,373,980</u>	<u>75,359,485</u>	<u>105,733,465</u>	<u>-</u>	<u>105,733,465</u>	<u>74,971,432</u>
Change in net assets	12,498,905	1,346,431	13,845,336	1,246,736	15,092,072	1,547,758
Net Assets, Beginning	<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>
Net Assets, Ending	<u>\$ 21,427,786</u>	<u>\$ 4,082,273</u>	<u>\$ 25,510,059</u>	<u>\$ 5,381,748</u>	<u>\$ 30,891,807</u>	<u>\$ 15,799,735</u>

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 15,092,072	\$ 1,547,758
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	358,575	329,975
Noncash rent and vehicle expense for use of facilities and equipment	141,960	284,613
Bad debt expense	80,552	56,250
Gain on sale of property and equipment	(1,200)	-
Change in donated food inventories	(1,346,431)	(1,363,442)
Change in beneficial interest in funds held at the Community Foundation for Southeastern Michigan	8,640	25,384
Change in beneficial interest in charitable remainder trust	(23,738)	(2,868)
Change in assets and liabilities that provided (used) cash:		
Trade receivables, grants receivable and promises to give	(1,445,248)	503,412
Purchased inventory	(636,461)	(22,302)
Prepaid expenses	(100,995)	103,863
Deferred revenue	3,649,607	(17,606)
Accounts payable	159,390	99,963
Accrued liabilities	(34,547)	20,388
Net cash flows from operating activities	<u>15,902,176</u>	<u>1,565,388</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(891,711)	(2,170,293)
Proceeds from sale of property and equipment	<u>1,200</u>	<u>-</u>
Net cash flows from investing activities	<u>(890,511)</u>	<u>(2,170,293)</u>
Net change in cash and cash equivalents	15,011,665	(604,905)
Cash and Cash Equivalents, Beginning	<u>3,925,624</u>	<u>4,530,529</u>
Cash and Cash Equivalents, Ending	<u>\$ 18,937,289</u>	<u>\$ 3,925,624</u>
Supplemental Cash Flow Disclosures		
Value of donated food received	\$ 76,705,916	\$ 54,975,886
Value of donated food distributed	75,359,485	53,612,434

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Functional Expenses

Year Ended September 30, 2020 (with Comparative Totals for the Year Ended September 30, 2019)

	Program Services- Food Bank	Management and General	Fundraising	2020 Total	2019 Total
Personnel					
Salaries	\$ 5,804,611	\$ 1,682,901	\$ 1,334,656	\$ 8,822,168	\$ 6,315,992
Payroll taxes and employee benefits	1,116,301	319,126	277,534	1,712,961	1,631,980
Total personnel	6,920,912	2,002,027	1,612,190	10,535,129	7,947,972
Transportation	971,148	-	-	971,148	1,089,788
Occupancy					
Depreciation	344,930	5,882	7,763	358,575	329,975
Rent	575,377	-	-	575,377	435,000
Warehouse supplies	421,132	-	-	421,132	218,661
Utilities	443,135	1,452	4,134	448,721	399,165
Insurance	77,949	365	1,040	79,354	67,132
Repairs and maintenance	414,874	1,335	3,802	420,011	308,531
Security	262,877	1,231	3,506	267,614	259,911
Uniforms	14,501	-	-	14,501	10,130
Other occupancy	155,251	715	2,036	158,002	101,930
Total occupancy	2,710,026	10,980	22,281	2,743,287	2,130,435
Other Operating					
Telephone	96,131	18,955	20,309	135,395	144,780
Food bank	716,321	14,101	-	730,422	964,376
Travel and meetings	86,798	12,887	2,193	101,878	136,376
Office supplies	402,757	105,717	67,117	575,591	380,516
Online service	-	-	786	786	1,202
Solicitation mailings	-	-	1,232,096	1,232,096	1,120,413
Public relations	39,177	-	-	39,177	46,972
Bank service charges	-	68,234	233,367	301,601	178,245
Bad debts	19,992	-	60,560	80,552	56,250
Event	-	-	102,141	102,141	336,724
Agency support	717,735	-	-	717,735	731,430
Professional fees	455,065	497,786	384,685	1,337,536	921,700
Media and communications	10,366	80,416	427,493	518,275	656,291
Federal Emergency Management Agency distributed	214,720	-	-	214,720	128,942
Miscellaneous	301	301	-	602	1,884
Total other operating	2,759,363	798,397	2,530,747	6,088,507	5,806,101
Subtotal	13,361,449	2,811,404	4,165,218	20,338,071	16,974,296
Purchased food distributed	10,138,049	-	-	10,138,049	4,721,426
Donated food distributed	75,359,485	-	-	75,359,485	53,612,434
Less special event costs	-	-	(102,140)	(102,140)	(336,724)
Total expenses	\$ 98,858,983	\$ 2,811,404	\$ 4,063,078	\$ 105,733,465	\$ 74,971,432

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Activities

Gleaners Community Food Bank of Southeastern Michigan (the "Organization") is a Michigan non-profit corporation that was formed April 5, 1977. 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.

The COVID-19 pandemic resulted in record distributions for food assistance in Southeastern Michigan, as many people sought help for the first time. The Organization's emergency response mobile and box food distributions, along with expanded efforts of our partner network, provided broad based community access safely, with minimal contact, for people seeking food assistance. Record food distributions during fiscal 2020 were supported by record financial contributions and government food receipts. Continued uncertainty will create both opportunities and risks over the next six to 12 months as the ongoing impact of the pandemic plays out. The Organization will continue to prioritize making emergency food accessible to all who need it within our organizational resourcing.

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
September 30, 2020 and 2019

Trade Receivables

The Organization assesses collectibility of amounts due prior to the recognition of revenues. Trade receivables are recorded at net realizable value when the amounts are due in accordance with contracts with customers. Accounts are written-off through bad debt expense when the Organization has exhausted all collection efforts and determines accounts are impaired based on changes in credit worthiness.

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. No allowance for doubtful accounts is considered necessary at September 30, 2020 and 2019.

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 \$50,000 and \$17,400 as of September 30, 2020 and 2019, 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 renewal process is underway. The Organization has recorded promises to give of \$65,065 and \$207,025 on the statements of financial position for the years ending September 30, 2020 and 2019, 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 single per pound amount for all inventory, determined by utilizing the Agreed Upon Procedures report prepared by RSM US, LLP for Feeding America.

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
September 30, 2020 and 2019

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.

Deferred Revenue

Deferred revenue includes support from government agencies and contributions that are refundable if not used and contain barriers that have not been met at year-end.

The Organization participated in and received funds under the Paycheck Protection Program ("PPP") through the Coronavirus Aid, Relief, and Economic Security ("CARES") Act of 2020 in the amount of \$1,562,100. The PPP is designed to provide a direct financial incentive for small businesses to keep their workers on the payroll. The program will forgive loan balances to the extent employees are kept on the payroll and the loan principal is used for payroll, rent, mortgage interest, or utilities during the eight or twenty-four week period following receipt. Any portion of the loan that is not forgiven will carry interest at 1% and is due to be paid back within two years. The first payment can be deferred until ten months after the end of the eight or twenty-four week covered period.

The Organization determined this was a conditional contribution when received and concluded that the right of return and barriers associated with forgiveness were not met prior to September 30, 2020. As a result, the Organization considers the balance of the loan to be a refundable advance as of September 30, 2020. This amount is included in deferred revenue in the financial statements. In February 2021, the Organization received notification from the Small Business Administration that the funds had been forgiven and this amount will be recognized as revenue in 2021.

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 statements 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.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

Contributions and Grants

The Organization recognizes all unconditional contributions and grants as income in the period the unconditional contributions are received. Contributions and grants are considered unconditional when the Organization meets any barriers or conditions communicated in the agreement. Contributions and grants received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor limitations on use of the support. There were \$3,667,213 of conditional contributions and grants received and included in deferred revenue at September 30, 2020.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Purchased Food Revenue

A portion of the the Organization's revenues results from the sale of goods under contracts with customers. Revenue under contracts with customers is recognized when the customer obtains control of the good and is recognized to depict the transfer of promised goods in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods.

The Organization bills member agencies fees based on the purchased products distributed to the member agencies. Pricing of the purchased product are established based on the cost of the product. The Organization utilized the portfolio approach, an allowable practical expedient in the guidance, to analyze the contracts with members related to purchased product revenue. The transaction price is net of any stated or implied discount and determined at the time of purchase. The Organization is obligated to provide products as ordered by the member, and completion of this performance obligation occurs upon delivery or receipt of the product by the member. Payment is due 30 days from the date of purchase. Food products are typically nonrefundable. The net realizable value of receivables from members are \$750,676 and \$404,918 as of September 30, 2020 and 2019, respectively, and included in trade receivable on the statements of financial position. Member agencies may pay in advance or receive payment from others on their behalf which are recorded as credits in their individual purchasing accounts with the Organization.

Functional Allocation of Expenses

The costs of providing the program and supporting services have been reported on a functional basis in the statements of activities and functional expenses. 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 \$0 and \$22,540 of donated legal services for the year ended September 30, 2020 and 2019, respectively.

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.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

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, 2020 or 2019, 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.

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, 2019, 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.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

Adoption of Financial Accounting Standard Board's Accounting Standards Update

The Organization adopted Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU No. 2018-08") during the year ending September 30, 2020, using the modified prospective transition method. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in ASU No. 2018-08 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. Unconditional contributions or grants are recognized when cash, securities, other assets, or promises to give are received. Conditional contributions or grants, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. The adoption of ASU No. 2018-08 did not have a significant impact on the timing of revenue recognition during the year of adoption.

The Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU No. 2014-09"), and all related amendments during the year ending September 30, 2020, using the modified retrospective transition method. ASU No. 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry specific guidance. The core principle under ASU No. 2014-09 is that revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration at which the entity expects to be entitled in exchange for those goods or services. Adoption of ASU No. 2014-09 did not have a significant impact on the financial statements, but disclosures related to revenue recognition were enhanced.

2. Promises to Give

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

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 838,746	\$ 526,194
Less allowance for doubtful accounts	<u>(50,000)</u>	<u>(17,400)</u>
Total current promises to give, net of allowance	<u>788,746</u>	<u>508,794</u>
One to five years	<u>-</u>	<u>71,429</u>
Total promises to give, net	<u>\$ 788,746</u>	<u>\$ 580,223</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

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, a rate of return of 3.9 percent, and a discount rate of 3 percent as of September 30, 2020 and 2019.

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.

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 basis:

	September 30, 2020			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in charitable remainder unitrust	\$ 1,030,335	\$ -	\$ -	\$ 1,030,335
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,720,402</u>	<u>-</u>	<u>-</u>	<u>1,720,402</u>
Total	<u>\$ 2,750,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,750,737</u>
	September 30, 2019			
	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	<u>1,729,042</u>	<u>-</u>	<u>-</u>	<u>1,729,042</u>
Total	<u>\$ 2,735,639</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,735,639</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 1,006,597	\$ 1,003,729
Net investment gain	<u>23,738</u>	<u>2,868</u>
End of year	<u>\$ 1,030,335</u>	<u>\$ 1,006,597</u>

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

	<u>2020</u>	<u>2019</u>
Beginning of year	\$ 1,729,042	\$ 1,754,426
Fees paid	(8,486)	(15,346)
Investment income	114,136	64,225
Distributions	<u>(114,290)</u>	<u>(74,263)</u>
End of year	<u>\$ 1,720,402</u>	<u>\$ 1,729,042</u>

4. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,583,016	\$ 1,530,903
Building and building improvements	7,342,822	7,310,972
Warehouse equipment	1,421,214	1,301,739
Furniture and equipment	1,607,727	1,607,727
Vehicles	1,550,912	1,157,089
Construction in progress	<u>314,081</u>	<u>53,097</u>
Total property and equipment	13,819,772	12,961,527
Less accumulated depreciation	<u>(7,686,631)</u>	<u>(7,361,522)</u>
Net property and equipment	<u>\$ 6,133,141</u>	<u>\$ 5,600,005</u>

5. Promises to Give for the Use of Facilities and Equipment

The Organization had promises to give for the use of the Mercado Pantry facilities as of September 30 2020 and 2019 of \$65,065 and \$207,025, respectively. Rent expense of \$65,065 for the use of facilities is expected to be recognized during the year ending September 30, 2021.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

6. Donated Food Received and Distributed

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

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

	<u>2020</u>	<u>2019</u>
Donated	42,871,631	32,537,913
Purchased	<u>20,880,065</u>	<u>13,156,454</u>
Total	<u><u>63,751,696</u></u>	<u><u>45,694,367</u></u>

7. Line of Credit

As of September 30, 2020, the Organization has a line-of-credit agreement with a bank under which the Organization may borrow up to \$2,000,000, due on demand, at the Daily LIBOR Rate plus 1.5% (effective rate of 2.25%), collateralized by inventory and accounts receivable of the Organization. The line of credit becomes due in August 2021. As of September 30, 2019, the Organization was permitted to borrow up to \$1,000,000, due on demand, at the Daily LIBOR Rate plus 2% (effective rate of 3.82%). There were no outstanding borrowings as of September 30, 2020 and 2019.

8. Defined Contribution Plan

Effective July 1, 2008, the Organization began sponsoring a defined contribution retirement plan for its employees who have attained the age of 21 and sixty days of service. Participants may make contributions of their compensation up to the legal limit prescribed by section 401(k) of the Internal Revenue Code. The Organization does not make matching contributions; however, the Organization may make a profit sharing contribution at its discretion, which will be allocated among all eligible employees with a minimum of one year of service, whether or not they make contributions to the Plan. Participants are fully vested in employer match contributions and profit sharing contributions after five years of service. Employer profit sharing expense was \$75,000 and \$51,532 for the years ended September 30, 2020 and 2019, respectively.

9. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program services	\$ 1,777,200	\$ 612,125
Beneficial interest in charitable remainder unitrust	1,030,335	1,006,597
Mercado Pantry use of facilities	65,065	207,025
Time restrictions	788,746	580,223
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>1,720,402</u>	<u>1,729,042</u>
Total	<u><u>\$ 5,381,748</u></u>	<u><u>\$ 4,135,012</u></u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

10. 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 \$114,290 and \$74,263 during the years ended September 2020 and 2019, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$1,720,402 and \$1,729,042 at September 30, 2020 and 2019, 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 \$1,922,788 and \$1,932,110 at September 30, 2020 and 2019, respectively.

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 percent 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 \$1,030,335 and \$1,006,597 at September 30, 2020 and 2019, respectively.

12. Leases

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

<u>Location</u>	<u>Original Term</u>	<u>Through</u>
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 \$992,093 and \$766,089 for the years ended September 30, 2020 and 2019, respectively, and is comprised of the following for the year ended September 30:

	<u>2020</u>	<u>2019</u>
Building and warehouse equipment (in Rent)	\$ 431,977	\$ 327,605
Vehicle (in Rent and Transportation)	507,244	387,934
Office equipment (in Office Supplies)	52,872	50,550
Total rent expense	<u>\$ 992,093</u>	<u>\$ 766,089</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

The following is a schedule of annual future minimum lease payments required under operating leases with remaining non-cancelable lease terms as of September 30, 2020:

2021	\$	404,932
2022		323,186
2023		204,756
2024		83,555
2025		46,678
		<u>46,678</u>
Total	\$	<u>1,063,107</u>

13. Liquidity and Funds Available

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>2020</u>	<u>2019</u>
Total current assets, at year-end	\$ 27,050,041	\$ 8,595,259
Less non-financial assets:		
Promises to give for the use of facilities and equipment	65,065	141,960
Food inventories	4,987,744	3,004,852
Prepaid expenses	<u>250,779</u>	<u>149,784</u>
Financial assets, at year-end	21,746,453	5,298,663
Less net assets with donor restrictions	<u>5,381,748</u>	<u>4,135,012</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,364,705</u>	<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 \$2,000,000 line of credit to use as needed.

14. Subsequent Events

Management has evaluated subsequent events through February 11, 2021, the date which the financial statements were available to be issued.

Subsequent to year end, the Organization purchased a building for \$10,800,000 to expand operations. Renovations of the building are planned to take place during fiscal 2021 prior to the facility being used in operations. The purchase and planned renovations are financed partially by a promissory note of up to \$9,862,500 with an interest rate of 1.9% plus LIBOR. The Organization can draw on the note during the renovation process and make interest only payments. When the building is placed into service, the debt will become a term note with payments of principal due quarterly starting January 1, 2022, and interest due monthly until December 2026. In addition, the line of credit described in Note 7 was replaced with a line of credit from a different bank. Under the new agreement, the Organization may borrow up to \$2,000,000, with interest only payments until December 2021, at the One Month LIBOR Rate plus 1.75% (effective rate of 2.25%), collateralized by substantially all assets of the Organization. The line of credit becomes due in December 2021.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2020 and 2019

15. Future Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU No. 2016-02") that amends the treatment for leases. The new accounting model for leases capitalizes all leases greater than twelve months, both capital and operating, as assets and liabilities on the statement of financial position. The Organization will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2021 (2023). Early adoption is permitted. Management is currently evaluating the impact of ASU No. 2016-02 on the Organization's financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU No. 2020-07"). ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021 (2022). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Gleaners Community Food Bank of Southeastern Michigan

Schedule of Operating Highlights (Unaudited)

Years Ended September 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Pounds of food distributed	63,751,696	45,694,367	44,714,908	43,058,414	38,934,349
Pounds of donated food in ending inventory	2,346,128	1,688,785	807,288	750,262	1,164,827
Weighted average cost per pound	\$ 1.74	\$ 1.62	\$ 1.70	\$ 3.17	\$ 2.08
Pounds of purchased food in ending inventory	1,223,415	430,734	394,787	356,259	575,717
Cost per pound	\$ 0.74	\$ 0.62	\$ 0.62	\$ 0.70	\$ 0.46
Inventory turnover	21.4	25.2	27.4	35.8	28.4

**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

To the Board of Directors of
Gleaners Community Food Bank of Southeastern 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, 2020, 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 11, 2021.

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 US, LLP

Southfield, Michigan
February 11, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

To the Board of Directors of
Gleaners Community Food Bank of Southeastern 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 on each of the Organization's major federal programs for the year ended September 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on 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 each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each of the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of the major federal programs 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 US, LLP

Southfield, Michigan
February 11, 2021

Gleaners Community Food Bank of Southeastern Michigan

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S Department of Agriculture			
Food Distribution Cluster			
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (CFSP Administrative Costs)	10.565	Not available	\$ 50,275
Emergency Food Assistance (Administrative Costs)	10.568	Not available	144,984
Emergency Food Assistance (FFCRA Administrative Costs)	10.569	Not available	162,447
Emergency Food Assistance (CARES Administrative Costs)	10.569	Not available	692,640
Emergency Food Assistance (Food Commodities)	10.569	Not available	3,756,859
Emergency Food Assistance (TM Food Commodities)	10.569	Not available	9,892,353
Emergency Food Assistance (FFCRA Food Commodities)	10.569	Not available	1,695,308
Emergency Food Assistance (CARES food Commodities)	10.569	Not available	<u>545,058</u>
Total Food Distribution Cluster			<u>16,939,924</u>
Child Nutrition Cluster			
Passed through the Michigan Department of Education			
National School Lunch Program	10.555	82SF13000	2,047,090
Summer Food Service Program for Children	10.559	82SF13000	<u>897,966</u>
Total Child Nutrition Cluster			<u>2,945,056</u>
Supplemental Nutrition Assistance Program Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Program			
Passed through the Michigan Fitness Foundation			
Cooking Matters - Nutrition Program	10.561	FY20 GCFB	<u>259,980</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>259,980</u>
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (Trade Mitigation Administrative Costs)	10.178	Not available	<u>293,540</u>
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.558	82SF13000	<u>305,865</u>
Total U.S Department of Agriculture			<u>20,744,365</u>

See accompanying notes to schedule of expenditures of federal awards.

Gleaners Community Food Bank of Southeastern Michigan

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the United Way			
Phase 36			
Emergency Food and Shelter National Board Program - Wayne County	97.024	483600-047	130,080
Emergency Food and Shelter National Board Program - Detroit City	97.024	484400-226	134,885
Phase 37			
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	171,682
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	114,185
Emergency Food and Shelter National Board Program - Macomb County	97.024	474600-020	29,208
Emergency Food and Shelter National Board Program - CARES Macomb County	97.024	474600-020	86,255
Emergency Food and Shelter National Board Program - Detroit	97.024	484400-226	117,286
Emergency Food and Shelter National Board Program - CARES Detroit	97.024	484400-226	202,995
Emergency Food and Shelter National Board Program - Wayne County	97.024	478200-030	<u>102,397</u>
U.S. Department of Homeland Security			<u>1,088,973</u>
Total Federal Awards			<u>\$ 21,833,338</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
Year Ended September 30, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Gleaners Community Food Bank of Southeastern Michigan (the Organization) under programs of the federal government for the year ended September 30, 2020. 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.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rate

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

Gleaners Community Food Bank of Southeastern Michigan

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

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 none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over the major federal programs:

Material weakness(es) identified? _____ yes X no
Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, and 10.569	Food Distribution Cluster
10.555 and 10.559	Child Nutrition Cluster
97.024	Emergency Food and Shelter National Board Program

Dollar threshold used to distinguish between federal Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

X yes _____ no

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
Year Ended September 30, 2019

The prior year single audit disclosed no findings, and therefore, no uncorrected or unresolved findings exist from prior single audit.