

Gleaners Community Food Bank of Southeastern Michigan

Financial Statements and
Supplementary Information

September 30, 2021 and 2020

Gleaners Community Food Bank of Southeastern Michigan

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September 30, 2021 and 2020

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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, 2021 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, 2021, 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 Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 17, 2022 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 17, 2022

Gleaners Community Food Bank of Southeastern Michigan

Statements of Financial Position
September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,277,113	\$ 18,937,289
Receivables		
Trade receivables, net	444,147	787,821
Grants receivable	1,199,850	1,232,597
Note receivable	60,000	-
Promises to give, net of allowance	2,031,829	788,746
Promises to give for the use of facility	281,826	65,065
Food inventories:		
Donated inventory	4,677,158	4,082,263
Purchased inventory	566,221	905,481
Prepaid expenses	<u>314,083</u>	<u>250,779</u>
Total current assets	<u>31,852,227</u>	<u>27,050,041</u>
Property and Equipment, Net	<u>19,846,548</u>	<u>6,133,141</u>
Other Assets		
Promises to give, non-current net of discount	819,594	-
Promises to give for the use of facility, non-current	422,739	-
Note receivable, non-current	1,025,000	-
Beneficial interest in charitable remainder unitrust	1,127,111	1,030,335
Beneficial interest in funds held at the Community Foundation for Southeast Michigan	<u>2,041,710</u>	<u>1,720,402</u>
Total other assets	<u>5,436,154</u>	<u>2,750,737</u>
Total assets	<u>\$ 57,134,929</u>	<u>\$ 35,933,919</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,597,824	\$ 910,596
Accrued liabilities	714,374	464,303
Deferred revenue	3,946,029	3,667,213
Current maturities of note payable	<u>1,900,000</u>	<u>-</u>
Total current liabilities	<u>8,158,227</u>	<u>5,042,112</u>
Long-term Liabilities		
Note payable, non-current, less unamortized debt issuance costs	<u>7,397,326</u>	<u>-</u>
Total liabilities	<u>15,555,553</u>	<u>5,042,112</u>
Net Assets		
Without donor restrictions:		
Cash and other activities	28,600,049	21,427,786
Noncash food donations/distributions	<u>4,677,158</u>	<u>4,082,273</u>
Total without donor restrictions	33,277,207	25,510,059
With donor restrictions	<u>8,302,169</u>	<u>5,381,748</u>
Total net assets	<u>41,579,376</u>	<u>30,891,807</u>
Total liabilities and net assets	<u>\$ 57,134,929</u>	<u>\$ 35,933,919</u>

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Activities

Year Ended September 30, 2021 (with Comparative Totals for the Year Ended September 30, 2020)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue and Other Support						
Donated food received	\$ -	\$ 80,209,296	\$ 80,209,296	\$ -	\$ 80,209,296	\$ 76,705,916
Contributions, grants and other revenue:						
Contributions	24,303,517	-	24,303,517	7,055,037	31,358,554	29,858,173
Special events, net of direct expenses of \$91,025 and \$102,140 in 2021 and 2020, respectively	182,393	-	182,393	-	182,393	203,704
Grants and indirect support	6,841,127	-	6,841,127	-	6,841,127	6,764,166
Purchased food revenue	8,291,089	-	8,291,089	-	8,291,089	6,507,192
Agency shared maintenance fee	605,621	-	605,621	-	605,621	504,987
Change in beneficial interest in charitable remainder unitrust	-	-	-	96,776	96,776	23,738
Investment income	334	-	334	-	334	3,374
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	-	-	-	321,308	321,308	(8,640)
Other	75,066	-	75,066	-	75,066	262,927
Total contributions, grants and other revenue	40,299,147	-	40,299,147	7,473,121	47,772,268	44,119,621
Net assets released from restrictions	4,552,700	-	4,552,700	(4,552,700)	-	-
Total revenue and other support	44,851,847	80,209,296	125,061,143	2,920,421	127,981,564	120,825,537
Expenses						
Program services						
Personnel	7,951,098	-	7,951,098	-	7,951,098	6,920,912
Purchased food distributed	15,413,972	-	15,413,972	-	15,413,972	10,671,790
Donated food distributed	-	79,614,411	79,614,411	-	79,614,411	75,359,485
Transportation	1,605,898	-	1,605,898	-	1,605,898	971,148
Occupancy	3,087,964	-	3,087,964	-	3,087,964	2,710,026
Other operating	2,422,493	-	2,422,493	-	2,422,493	2,225,622
Total program services	30,481,425	79,614,411	110,095,836	-	110,095,836	98,858,983
Supporting services:						
Fundraising	4,347,348	-	4,347,348	-	4,347,348	4,063,078
Management and general	2,850,811	-	2,850,811	-	2,850,811	2,811,404
Total supporting services	7,198,159	-	7,198,159	-	7,198,159	6,874,482
Total expenses	37,679,584	79,614,411	117,293,995	-	117,293,995	105,733,465
Change in net assets	7,172,263	594,885	7,767,148	2,920,421	10,687,569	15,092,072
Net Assets, Beginning	21,427,786	4,082,273	25,510,059	5,381,748	30,891,807	15,799,735
Net Assets, Ending	\$ 28,600,049	\$ 4,677,158	\$ 33,277,207	\$ 8,302,169	\$ 41,579,376	\$ 30,891,807

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 10,687,569	\$ 15,092,072
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	554,938	358,575
Amortization of debt issuance costs	3,341	-
Non-cash donations - use of facility, furniture, and labor	(958,720)	-
Non-cash rent expense for use of facility	211,893	141,960
Bad debt expense	19,992	80,552
Change in donated food inventories	(594,895)	(1,346,431)
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	(321,308)	8,640
Change in beneficial interest in charitable remainder trust	(96,776)	(23,738)
Loss (gain) on sale of property and equipment	209,826	(1,200)
Forgiveness of Paycheck Protection Program (PPP) funds	(1,562,100)	-
Change in assets and liabilities that provided (used) cash:		
Trade receivables, grants receivable and promises to give	(1,706,248)	(1,445,248)
Purchased food inventory	339,260	(636,461)
Prepaid expenses	(63,304)	(100,995)
Accounts payable	139,948	159,390
Accrued liabilities	250,071	(34,547)
Deferred revenue	1,840,916	3,649,607
	<u>8,954,403</u>	<u>15,902,176</u>
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(15,076,412)	(891,711)
Proceeds from sale of property and equipment	152,848	1,200
Collections on notes receivable	15,000	-
	<u>(14,908,564)</u>	<u>(890,511)</u>
Net cash flows from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	9,319,306	-
Payment of debt issuance costs	(25,321)	-
	<u>9,293,985</u>	<u>-</u>
Net cash flows from financing activities		
Net change in cash and cash equivalents	3,339,824	15,011,665
Cash and Cash Equivalents, Beginning	<u>18,937,289</u>	<u>3,925,624</u>
Cash and Cash Equivalents, Ending	<u>\$ 22,277,113</u>	<u>\$ 18,937,289</u>
Supplemental Cash Flow Disclosures		
Value of donated food received	\$ 80,209,296	\$ 76,705,916
Value of donated food distributed	79,614,411	75,359,485
Purchases of property and equipment financed with accounts payable	547,280	-
Non-cash proceeds (note receivable) from sale of property and equipment	1,100,000	-
Interest paid on note payable	129,219	-

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Statements of Functional Expenses

Year Ended September 30, 2021 (with Comparative Totals for the Year Ended September 30, 2020)

	Program Services- Food Bank	Fundraising	Management and General	2021 Total	2020 Total
Personnel					
Salaries	\$ 6,398,079	\$ 1,451,809	\$ 1,939,738	\$ 9,789,626	\$ 8,822,169
Payroll taxes and employee benefits	1,553,019	279,190	266,816	2,099,025	1,712,960
Total personnel	<u>7,951,098</u>	<u>1,730,999</u>	<u>2,206,554</u>	<u>11,888,651</u>	<u>10,535,129</u>
Transportation	<u>1,605,898</u>	<u>-</u>	<u>-</u>	<u>1,605,898</u>	<u>971,148</u>
Occupancy					
Depreciation	532,851	7,715	14,372	554,938	358,575
Rent	661,625	-	-	661,625	575,377
Warehouse supplies	311,508	-	-	311,508	421,132
Utilities	420,474	12,402	3,236	436,112	315,545
Insurance	105,751	3,119	814	109,684	79,353
Repairs and maintenance	467,227	9,654	2,519	479,400	420,010
Security	250,995	7,403	1,932	260,330	267,614
Uniforms	9,184	271	71	9,526	14,501
Other occupancy	328,349	9,685	2,527	340,561	291,178
Total occupancy	<u>3,087,964</u>	<u>50,249</u>	<u>25,471</u>	<u>3,163,684</u>	<u>2,743,285</u>
Other Operating					
Telephone	126,124	19,656	18,018	163,798	135,396
Program expense	118,150	509	11,639	130,298	293,450
Travel and meetings	75,364	710	5,708	81,782	101,876
Office supplies	313,238	48,816	44,748	406,802	405,909
Online service	2,630	112,543	35,797	150,970	131,507
Solicitation mailings	184	1,353,246	1,530	1,354,960	1,267,920
Bank service charges	-	272,431	48,303	320,734	301,601
Bad debts	19,992	-	-	19,992	80,552
Special events	-	91,025	-	91,025	102,140
Agency support	865,116	-	-	865,116	717,734
Professional fees	491,310	311,430	286,483	1,089,223	1,242,696
Media and communications	10,616	435,243	84,925	530,784	518,276
Federal Emergency Management Agency funds distributed	376,987	-	-	376,987	214,720
Miscellaneous	22,782	11,516	81,635	115,933	40,991
Total other operating	<u>2,422,493</u>	<u>2,657,125</u>	<u>618,786</u>	<u>5,698,404</u>	<u>5,554,768</u>
Subtotal	15,067,453	4,438,373	2,850,811	22,356,637	19,804,330
Purchased food distributed	15,413,972	-	-	15,413,972	10,671,790
Donated food distributed	79,614,411	-	-	79,614,411	75,359,485
Less special event costs	-	(91,025)	-	(91,025)	(102,140)
Total expenses	<u>\$ 110,095,836</u>	<u>\$ 4,347,348</u>	<u>\$ 2,850,811</u>	<u>\$ 117,293,995</u>	<u>\$ 105,733,465</u>

See notes to financial statements

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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, the Organization operates four distribution centers servicing Wayne, Oakland, Macomb, Livingston and Monroe counties and provides food to individuals and 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 Southeast 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 its partner network, provided broad based community access safely, with minimal contact, for people seeking food assistance. Record food distributions during fiscal 2021 and 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 its 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 rate 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, 2021 and 2020

Trade Receivables

The Organization assesses collectability 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. The allowance for doubtful accounts was \$19,687 and \$0 as of September 30, 2021 and 2020, respectively.

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 a written unconditional promise to give is received; in the absence of such promise, revenue is recognized when the donation 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 unamortized discount was \$45,305 and \$0 as of September 30, 2021 and 2020, respectively. The allowance for doubtful accounts was \$50,000 as of September 30, 2021 and 2020.

Inventories

Inventory of purchased food is stated at lower of cost, determined by the first-in, first-out (FIFO) method, or net realizable value. 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.

Property, Equipment, and Depreciation

Purchased land, buildings, vehicles, and equipment are stated at cost. Donated land, buildings and equipment are recorded at approximate fair value at the date of the gift. Major purchases and improvements 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.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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.

During 2020, 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.

In February 2021, the Organization received notification from the Small Business Administration that the funds had been forgiven and this amount was recognized as revenue in fiscal 2021.

At September 30, 2020, 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. As a result, the Organization considered the balance of the loan to be a refundable advance as of September 30, 2020. This amount was included in deferred revenue in the financial statements at September 30, 2020.

Classification of Net Assets

The Organization presents information regarding its financial position and activities 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 assets without donor restrictions activity.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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 \$3,946,029 and \$3,667,213 of conditional contributions and grants received and included in deferred revenue at September 30, 2021 and 2020, respectively.

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 Organization's revenues result from the sale of goods under contracts with member agencies. 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. The Organization bills member agencies fees under these contracts based on the purchased products distributed to the member agencies. Pricing of the purchased products is established based on the cost of the product. Revenue under these contracts is recognized when the member agency receives the goods and in an amount that reflects the consideration the Organization expects to receive in exchange for those goods. The Organization utilized the portfolio approach to analyze and recognize revenues under these contracts with members, net of any stated or implied discount, at the time of purchase. Payment is due 30 days from the date of purchase. 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. Food products are typically nonrefundable. The net realizable value of receivables from members are \$91,640 and \$725,812 as of September 30, 2021 and 2020, respectively, and are included in trade receivables, net on the statements of financial position.

Functional Allocation of Expenses

The costs of providing 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 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, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization recorded \$6,200 and \$0 of donated services in the statements of activities for the years ended September 30, 2021 and 2020, 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, 2021 and 2020

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, 2021 or 2020, and is 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, 2020, 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, 2021 and 2020

2. Promises to Give

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

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 2,081,829	\$ 838,746
Less allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
Total current promises to give, net of allowance	<u>2,031,829</u>	<u>788,746</u>
One to five years	864,899	-
Less: Discount to present value	<u>(45,305)</u>	<u>-</u>
Total promises to give, non-current	<u>819,594</u>	<u>-</u>
Total promises to give, net	<u>\$ 2,851,423</u>	<u>\$ 788,746</u>

In April 2021, the Organization received a donation of a 99% ownership interest in a limited partnership. This limited partnership's assets consist of its holdings in shares of variable annuity contracts, mutual funds, and one corporate stock. The limited partnership interest is recorded at its cost of \$794,869 in promises to give and trade receivables as of September 30, 2021, as well as contributions revenue of \$594,869 for the year ended September 30, 2021, net of a \$200,000 donor required payment to a local food pantry recorded in accrued liabilities as of September 30, 2021. Subsequent to year-end, this limited partnership was dissolved, and its assets were distributed to its partners based on their ownership percentage. The Organization received \$866,702 upon dissolution of the partnership; before the \$200,000 payment made to the local food pantry.

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 1.8 percent and 3.9 percent, and a discount rate of 3 percent as of September 30, 2021 and 2020, respectively.

Beneficial Interest in funds held at the Community Foundation for Southeast Michigan (the Foundation): The Organization has been 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.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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, 2021			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in charitable remainder unitrust	\$ 1,127,111	\$ -	\$ -	\$ 1,127,111
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>2,041,710</u>	<u>-</u>	<u>-</u>	<u>2,041,710</u>
Total	<u>\$ 3,168,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,168,821</u>

	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>

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>2021</u>	<u>2020</u>
Beginning of year	\$ 1,030,335	\$ 1,006,597
Net investment gain	<u>96,776</u>	<u>23,738</u>
End of year	<u>\$ 1,127,111</u>	<u>\$ 1,030,335</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>2021</u>	<u>2020</u>
Beginning of year	\$ 1,720,402	\$ 1,729,042
Fees paid	(8,547)	(8,486)
Investment income	368,316	114,136
Distributions	<u>(38,461)</u>	<u>(114,290)</u>
End of year	<u>\$ 2,041,710</u>	<u>\$ 1,720,402</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

4. Note Receivable

In June 2021, the Organization sold a warehouse building with a net carrying value of \$1,462,674 for cash and a \$1,100,000 land contract note receivable collateralized by the warehouse building. The note receivable has a 2-year term with monthly principal payments of \$5,000, plus interest at 3 percent per annum, with the remaining outstanding principal balance due at the end of 2 years. The note receivable can be extended for two consecutive 1-year periods with the payment of \$250,000 at the beginning of each extension period, as well as monthly principal payments of \$5,000, plus interest at the United States (FED) Prime Rate per annum, with the remaining outstanding principal balance due at the end of the final extension period. The Organization recognized a \$209,826 loss on sale of assets in the statements of activities within other revenue for the year ended September 30, 2021 for this sale. The outstanding note receivable balance was \$1,085,000 as of September 30, 2021.

5. Note Payable

In December 2020, the Organization purchased a warehouse facility and related equipment for \$10,800,000, plus closing costs, to expand its food distribution operations and moved certain operations into this facility in May 2021. The majority of renovations on the building took place during fiscal 2021, but some continued after September 30, 2021. The purchase and renovations were financed partially by a construction note with a bank of up to \$9,862,500 with an interest rate of One-Month LIBOR (with a LIBOR floor of 0.5%) plus 1.9 percent per annum (interest rate of 2.4 percent as of September 30, 2021), collateralized by this warehouse facility and related equipment, as well as substantially all the general business assets of the Organization. The outstanding notes payable balance was \$9,319,306, less unamortized debt issuance costs of \$21,980, as of September 30, 2021.

Subsequent to year-end, the construction note was converted to a term note, collateralized by substantially all the general business assets of the Organization (see Note 16), with interest due monthly until December 2026 at the One-Month LIBOR Rate plus 1.5% per annum. Quarterly principal payments on the term note will start on April 1, 2022 based on certain cash collections from the Organization's capital fundraising campaign. As of the date the financial statements were available to be issued (see Note 16), approximately \$1,900,000 has been collected that will be used to make principal payments on the term note during fiscal 2022. Due to principal payments to be made during the next fiscal years being dependent on collections of capital campaign contributions, the Organization is unable to estimate the payments to be made. Any unpaid principal at December 2026 will become due from the Organization regardless of capital campaign collections.

6. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,432,414	\$ 1,583,016
Building and building improvements	20,782,288	7,342,822
Warehouse equipment	2,297,866	1,421,214
Furniture and equipment	1,707,983	1,607,727
Vehicles	1,624,856	1,550,912
Construction in progress	<u>242,710</u>	<u>314,081</u>
Total property and equipment	28,088,117	13,819,772
Less accumulated depreciation	<u>(8,241,569)</u>	<u>(7,686,631)</u>
Net property and equipment	<u>\$ 19,846,548</u>	<u>\$ 6,133,141</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

7. Promises to Give for the Use of Facility

The Organization leases a facility in southwest Detroit 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 was renewed April 1, 2021 and expires March 31, 2024 with no optional renewal periods. The Organization has recorded in-kind donations of \$851,393 in the statement of activities for the year ending September 30, 2021 related to this lease renewal.

The Organization had promises to give for the use of this facility as of September 30, 2021 and 2020 of \$704,565 and \$65,065, respectively. Rent expense for the use of this facility expected to be recognized during the years ending September 30, 2022, 2023, and 2024 is \$281,826, \$281,826, and \$140,913, respectively.

8. 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>2021</u>	<u>2020</u>
Donated	44,197,617	42,871,631
Purchased	<u>27,217,925</u>	<u>20,880,065</u>
Total	<u><u>71,415,542</u></u>	<u><u>63,751,696</u></u>

9. Line of Credit

As of September 30, 2021, the Organization has a line-of-credit agreement with a bank under which the Organization may borrow up to \$2,000,000, with monthly interest only payments, at the One-Month LIBOR Rate (with a LIBOR floor of 0.5 percent) plus 1.75 percent per annum (interest rate of 2.25 percent as of September 30, 2021), collateralized by substantially all general business assets of the Organization. As of September 30, 2020, the Organization was permitted to borrow up to \$2,000,000, due on demand, at the Daily LIBOR Rate plus 1.5 percent. There were no outstanding borrowings on these lines of credit as of September 30, 2021 and 2020.

Subsequent to year-end, the line of credit was renewed. Under the renewed agreement, the Organization may borrow up to \$2,000,000, with interest only payments at the One-Month LIBOR Rate plus 1.5 percent per annum, collateralized by substantially all the general business assets of the Organization. The line of credit becomes due in December 2022. No amounts were outstanding on the line of credit at the time of renewal.

10. 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 profit sharing contributions after five years of service. Employer profit sharing expense was \$75,000 for the years ended September 30, 2021 and 2020.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

11. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Program services	\$ 1,577,360	\$ 1,777,200
Beneficial interest in charitable remainder unitrust	1,127,111	1,030,335
Mercado Pantry use of facility	704,565	65,065
Time restrictions	2,851,423	788,746
Beneficial Interest in funds held at the Community Foundation for Southeast Michigan	<u>2,041,710</u>	<u>1,720,402</u>
Total	<u>\$ 8,302,169</u>	<u>\$ 5,381,748</u>

12. 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 \$38,461 and \$114,290 during the years ended September 2021 and 2020, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$2,041,710 and \$1,720,402 at September 30, 2021 and 2020, 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. However, the Foundation will make distributions of income earned on these donations to the Organization, subject to the Foundation's spending policy. Distributions received totaled \$43,430 and \$127,545 during the years ended September 30, 2021 and 2020, respectively. The Organization has not recorded any interest in these assets in the accompanying financial statements. The balance of these invested assets not recorded in the Organization's financial statements totaled \$2,303,195 and \$1,922,788 at September 30, 2021 and 2020, respectively.

13. 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 \$1,127,111 and \$1,030,335 at September 30, 2021 and 2020, respectively.

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

14. 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

Total rent expense for vehicles, equipment and facilities was \$1,022,730 and \$992,093 for the years ended September 30, 2021 and 2020, respectively, and is comprised of the following for the year ended September 30:

	2021	2020
Building and warehouse equipment (in Rent)	\$ 446,732	\$ 431,977
Vehicle (in Rent and Transportation)	530,984	507,244
Office equipment (in Office Supplies)	45,014	52,872
Total rent expense	<u>\$ 1,022,730</u>	<u>\$ 992,093</u>

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, 2021:

2022	\$ 569,455
2023	484,139
2024	350,329
2025	268,870
2026	164,743
Thereafter	<u>124,191</u>
Total	<u>\$ 1,961,727</u>

15. 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:

	2021	2020
Total current assets, at year-end	\$ 31,852,227	\$ 27,050,041
Less non-financial assets:		
Promises to give for the use of facilities	281,826	65,065
Food inventories	5,243,379	4,987,744
Prepaid expenses	<u>314,083</u>	<u>250,779</u>
Financial assets, at year-end	26,012,939	21,746,453
Less net assets with donor restrictions included in financial assets	<u>3,609,188</u>	<u>2,565,946</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,403,751</u>	<u>\$ 19,180,507</u>

Gleaners Community Food Bank of Southeastern Michigan

Notes to Financial Statements
September 30, 2021 and 2020

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.

16. Subsequent Events

Management has evaluated subsequent events through February 17, 2022, the date which the financial statements were available to be issued.

Subsequent to year-end, the Organization entered into multiple agreements, assisted by the New Markets Tax Credit (NMTC) financing program, to replenish some of the operating cash that was used to purchase and renovate the warehouse facility and related equipment discussed in Note 5. At the same time, a wholly-owned, non-profit subsidiary (Gleaners Distribution Corporation) was set-up to facilitate this NMTC financing transaction. In connection with this financing transaction, the following items were created:

- Gleaners Distribution Corporation incurred \$16,575,000 of notes payable with the three (3) NMTC community development entities in this transaction that are due October 1, 2056. These notes payable bear interest at rates ranging from 1.0 percent to 1.093 percent per annum; are collateralized by the warehouse facility and related equipment discussed in Note 5 (which were transferred from the Organization to Gleaners Distribution Corporation as part of the NMTC financing transaction), as well as substantially all the general business assets of Gleaners Distribution Corporation; and require interest only payments during the 7-year NMTC compliance period.
- The Organization extended a \$11,912,300 note receivable to the NMTC investment company in this transaction that is due July 1, 2050. This note receivable bears interest at 1.0% per annum; is collateralized by substantially all the general business assets of the NMTC investment company; and requires interest only payments during the 7-year NMTC compliance period.

The agreements include a put/call option available to exercise after the 7-year NMTC compliance period which would allow the Organization to obtain 100% ownership interest in the NMTC investment company (which owns the community development entities). Annual interest payments on the notes payable to the community development entities and interest receipts on the note receivable from the NMTC investment company will approximate each other.

At the close of the NMTC financing transaction, the Organization received approximately \$3,400,000 of cash without restrictions to be used for current operations in exchange for tax credits. Cash to be used for the on-going annual management fee and accounting cost reimbursements to the community development entities by Gleaners Distribution Corporation over the 7-year NMTC compliance period has been fully funded in restricted bank accounts as part of the NMTC financing transaction.

17. 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Pounds of food distributed	71,415,542	63,751,696	45,694,367	44,714,908	43,058,414
Pounds of donated food in ending inventory	2,612,937	2,346,128	1,688,785	807,288	750,262
Weighted average cost per pound	\$ 1.79	\$ 1.74	\$ 1.62	\$ 1.70	\$ 3.17
Pounds of purchased food in ending inventory	714,422	1,223,415	430,734	394,787	356,259
Cost per pound	\$ 0.79	\$ 0.74	\$ 0.62	\$ 0.62	\$ 0.70
Inventory turnover	18.5	21.4	25.2	27.4	35.8

**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, 2021, 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 17, 2022.

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) as a basis for designing 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 financial statements. 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 17, 2022

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 Each Major Federal Program

We have audited Gleaners Community Food Bank of Southeastern Michigan's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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 17, 2022

Gleaners Community Food Bank of Southeastern Michigan

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing 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	\$ 12,798
Emergency Food Assistance (Administrative Costs)	10.568	Not available	243,494
Emergency Food Assistance (FFCRA Administrative Costs)	10.568	Not available	10,427
COVID-19 - Emergency Food Assistance (CARES Administrative Costs)	10.568	Not available	20,208
Emergency Food Assistance (COSUP Administrative Costs)	10.568	Not available	348,541
Emergency Food Assistance (CSFP-COSUP Administrative Costs)	10.565	Not available	508
Emergency Food Assistance (CSFP Food Commodities)	10.565	Not available	46,237
Emergency Food Assistance (COSUP Food Commodities)	10.569	Not available	879,335
Emergency Food Assistance (Food Commodities)	10.569	Not available	7,861,232
Emergency Food Assistance (TM Food Commodities)	10.569	Not available	1,709,257
Emergency Food Assistance (FFCRA Food Commodities)	10.569	Not available	1,245,834
COVID-19 - Emergency Food Assistance (CARES Food Commodities)	10.569	Not available	1,355,116
Total Food Distribution Cluster			<u>13,732,987</u>
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (TM Administrative Costs)	10.178	Not available	<u>277,026</u>
Total Assistance Listing Number 10.178			<u>277,026</u>
Passed through the Michigan Department of Education			
Child and Adult Care Food Program	10.558	82SF130000	<u>883,803</u>
Total Assistance Listing Number 10.558			<u>883,803</u>
Child Nutrition Cluster			
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.559	82SF130000	<u>2,620,906</u>
Total Child Nutrition Cluster			<u>2,620,906</u>
Supplemental Nutrition Assistance Program Cluster			
Passed through the Food Bank Council of Michigan			
SNAP - Outreach	10.561	Not Available	9,953
Passed through the Michigan Fitness Foundation			
Cooking Matters - Nutrition Program	10.561	FY21 GCFB	<u>495,885</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>505,838</u>
Total U.S Department of Agriculture			<u>18,020,560</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, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Treasury			
Passed through the Food Bank Council of Michigan			
COVID-19 - Coronavirus Relief Fund - Support	21.019	Not available	\$ 2,117,843
COVID-19 - Coronavirus Relief Fund - Response	21.019	Not available	<u>1,740,964</u>
Total Assistance Listing Number 21.019			<u>3,858,807</u>
U.S. Department of Homeland Security			
Passed through the United Way			
Phase 37			
COVID-19 - Emergency Food and Shelter National Board Program - Wayne County	97.024	483600-047	641,280
COVID-19 - Emergency Food and Shelter National Board Program - Detroit	97.024	484400-226	20,126
Phase 38			
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	143,477
Emergency Food and Shelter National Board Program - Macomb County	97.024	474600-020	72,500
Emergency Food and Shelter National Board Program - Detroit	97.024	484400-226	197,500
Emergency Food and Shelter National Board Program - Wayne County	97.024	483600-047	<u>138,500</u>
Total U.S. Department of Homeland Security			<u>1,213,383</u>
Total Federal Awards			<u>\$ 23,092,750</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, 2021

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, 2021. 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, 2021

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 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>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, and 10.569	Food Distribution Cluster
10.558	Child and Adult Care Food Program
21.019	Coronavirus Relief Fund

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, 2021

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