

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Financial Statements and
Supplementary Information

September 30, 2022 and 2021

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

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Independent Auditors' Report

To the Board of Directors of
Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gleaners Community Food Bank of Southeastern Michigan and Affiliate (the Organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and our report dated February 17, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Also, the 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*, and schedule of operating highlights are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 16, 2023 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 16, 2023

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidated Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 25,549,420	\$ 22,277,113
Receivables		
Trade receivables, net	397,962	444,147
Grants receivable	529,901	1,199,850
Note receivable	-	60,000
Promises to give, net of allowance	1,222,833	2,031,829
Promises to give for the use of facility	281,826	281,826
Food inventories:		
Donated inventory	1,283,747	4,677,158
Purchased inventory	466,628	566,221
Prepaid expenses	<u>304,144</u>	<u>314,083</u>
Total current assets	<u>30,036,461</u>	<u>31,852,227</u>
Property and Equipment, Net	<u>21,549,834</u>	<u>19,846,548</u>
Other Assets		
Promises to give, non-current net of discount and allowance	1,084,381	819,594
Promises to give for the use of facility, non-current	140,913	422,739
Note receivable, non-current	11,912,300	1,025,000
Beneficial interest in charitable remainder unitrust	996,754	1,127,111
Beneficial interest in funds held at the Community Foundation for Southeast Michigan	<u>1,678,292</u>	<u>2,041,710</u>
Total other assets	<u>15,812,640</u>	<u>5,436,154</u>
Total assets	<u>\$ 67,398,935</u>	<u>\$ 57,134,929</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,365,237	\$ 1,597,824
Accrued liabilities	540,220	714,374
Deferred revenue	3,570,922	3,946,029
Current maturities of notes payable	<u>547,862</u>	<u>1,900,000</u>
Total current liabilities	<u>6,024,241</u>	<u>8,158,227</u>
Long-term Liabilities		
Notes payable, non-current, less unamortized debt issuance costs	<u>17,774,121</u>	<u>7,397,326</u>
Total liabilities	<u>23,798,362</u>	<u>15,555,553</u>
Net Assets		
Without donor restrictions:		
Cash and other activities	35,296,800	28,600,049
Noncash food donations/distributions	<u>1,283,747</u>	<u>4,677,158</u>
Total without donor restrictions	36,580,547	33,277,207
With donor restrictions	<u>7,020,026</u>	<u>8,302,169</u>
Total net assets	<u>43,600,573</u>	<u>41,579,376</u>
Total liabilities and net assets	<u>\$ 67,398,935</u>	<u>\$ 57,134,929</u>

See notes to consolidated financial statements

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidated Statements of Activities

Year Ended September 30, 2022 (with Comparative Totals for the Year Ended September 30, 2021)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue and Other Support						
Donated food received	\$ -	\$ 57,200,569	\$ 57,200,569	\$ -	\$ 57,200,569	\$ 80,209,296
Contributions, grants and other revenue:						
Contributions of cash and other financial assets	18,779,554	-	18,779,554	5,180,165	23,959,719	30,396,834
Contributions of nonfinancial assets	9,295	-	9,295	-	9,295	961,720
Special events, net of direct expenses of \$94,252 and \$91,025 in 2022 and 2021, respectively	207,561	-	207,561	-	207,561	182,393
Grants and indirect support	2,781,675	-	2,781,675	-	2,781,675	6,841,127
Purchased food revenue	5,761,374	-	5,761,374	-	5,761,374	8,291,089
Agency shared maintenance fee	516,728	-	516,728	-	516,728	605,621
Change in beneficial interest in charitable remainder unitrust	-	-	-	(130,357)	(130,357)	96,776
Interest income	117,737	-	117,737	-	117,737	10,251
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	-	-	-	(363,418)	(363,418)	321,308
Other	357,969	-	357,969	-	357,969	65,149
Total contributions, grants and other revenue	<u>28,531,893</u>	<u>-</u>	<u>28,531,893</u>	<u>4,686,390</u>	<u>33,218,283</u>	<u>47,772,268</u>
Net assets released from restrictions	<u>5,968,533</u>	<u>-</u>	<u>5,968,533</u>	<u>(5,968,533)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>34,500,426</u>	<u>57,200,569</u>	<u>91,700,995</u>	<u>(1,282,143)</u>	<u>90,418,852</u>	<u>127,981,564</u>
Expenses						
Program services:						
Personnel	6,487,654	-	6,487,654	-	6,487,654	7,951,098
Purchased food distributed	7,338,617	-	7,338,617	-	7,338,617	15,413,972
Donated food distributed	-	60,593,980	60,593,980	-	60,593,980	79,614,411
Transportation	1,285,497	-	1,285,497	-	1,285,497	1,605,898
Occupancy	3,061,119	-	3,061,119	-	3,061,119	3,087,964
Other operating	2,124,369	-	2,124,369	-	2,124,369	<u>2,422,493</u>
Total program services	<u>20,297,256</u>	<u>60,593,980</u>	<u>80,891,236</u>	<u>-</u>	<u>80,891,236</u>	<u>110,095,836</u>
Supporting services:						
Fundraising	4,772,288	-	4,772,288	-	4,772,288	4,347,348
Management and general	2,734,131	-	2,734,131	-	2,734,131	2,850,811
Total supporting services	<u>7,506,419</u>	<u>-</u>	<u>7,506,419</u>	<u>-</u>	<u>7,506,419</u>	<u>7,198,159</u>
Total expenses	<u>27,803,675</u>	<u>60,593,980</u>	<u>88,397,655</u>	<u>-</u>	<u>88,397,655</u>	<u>117,293,995</u>
Change in net assets	6,696,751	(3,393,411)	3,303,340	(1,282,143)	2,021,197	10,687,569
Net Assets, Beginning	<u>28,600,049</u>	<u>4,677,158</u>	<u>33,277,207</u>	<u>8,302,169</u>	<u>41,579,376</u>	<u>30,891,807</u>
Net Assets, Ending	<u>\$ 35,296,800</u>	<u>\$ 1,283,747</u>	<u>\$ 36,580,547</u>	<u>\$ 7,020,026</u>	<u>\$ 43,600,573</u>	<u>\$ 41,579,376</u>

See notes to consolidated financial statements

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidated Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 2,021,197	\$ 10,687,569
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	762,717	554,938
Amortization of debt issuance costs	67,222	3,341
Non-cash donations - use of facility, furniture, and labor	(5,320)	(958,720)
Non-cash rent expense for use of facility	281,826	211,893
Bad debt expense	87,000	19,992
Change in donated food inventories	3,393,411	(594,895)
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	363,418	(321,308)
Change in beneficial interest in charitable remainder unitrust	130,357	(96,776)
Loss (gain) on sale of property and equipment	-	209,826
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	1,173,343	(1,706,248)
Purchased food inventory	99,593	339,260
Prepaid expenses	9,939	(63,304)
Accounts payable	(243,307)	139,948
Accrued liabilities	(174,154)	250,071
Deferred revenue	(375,107)	1,840,916
Net cash flows from operating activities	7,592,135	8,954,403
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,449,963)	(15,076,412)
Proceeds from sale of property and equipment	-	152,848
Issuance of notes receivable	(11,912,300)	-
Collections on notes receivable	1,085,000	15,000
Net cash flows from investing activities	(13,277,263)	(14,908,564)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	16,607,251	9,319,306
Payment on notes payable	(7,088,735)	-
Payment of debt issuance costs	(561,081)	(25,321)
Net cash flows from financing activities	8,957,435	9,293,985
Net change in cash and cash equivalents	3,272,307	3,339,824
Cash and Cash Equivalents, Beginning	22,277,113	18,937,289
Cash and Cash Equivalents, Ending	\$ 25,549,420	\$ 22,277,113
Supplemental Cash Flow Disclosures		
Purchases of property and equipment financed with accounts payable	\$ 558,000	\$ 547,280
Non-cash proceeds (note receivable) from sale of property and equipment	-	1,100,000
Interest paid on notes payable	301,087	129,219

See notes to consolidated financial statements

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidated Statements of Functional Expenses

Year Ended September 30, 2022 (with Comparative Totals for the Year Ended September 30, 2021)

	Program Services- Food Bank	Fundraising	Management and General	2022 Total	2021 Total
Personnel					
Salaries	\$ 5,245,483	\$ 1,635,257	\$ 1,871,529	\$ 8,752,269	\$ 9,789,626
Payroll taxes and employee benefits	1,242,171	287,274	315,897	1,845,342	2,099,025
Total personnel	6,487,654	1,922,531	2,187,426	10,597,611	11,888,651
Transportation	1,285,497	-	-	1,285,497	1,605,898
Occupancy					
Depreciation	705,587	33,403	23,727	762,717	554,938
Rent	484,684	4,333	-	489,017	661,625
Warehouse supplies	182,674	-	-	182,674	311,508
Utilities	577,738	24,573	15,730	618,041	279,297
Insurance	91,483	3,891	2,491	97,865	109,684
Repairs and maintenance	548,100	16,390	10,492	574,982	479,400
Security	231,732	9,856	6,310	247,898	260,330
Uniforms	8,740	-	-	8,740	9,526
Other occupancy	230,381	9,799	6,273	246,453	497,376
Total occupancy	3,061,119	102,245	65,023	3,228,387	3,163,684
Other Operating					
Telephone	110,207	22,041	20,881	153,129	163,798
Program expense	96,038	41,369	20,089	157,496	130,298
Travel and meetings	68,865	2,842	22,046	93,753	81,782
Office supplies	219,360	43,872	41,563	304,795	406,802
Online service	10,583	99,823	34,649	145,055	150,970
Solicitation mailings	22	1,522,994	320	1,523,336	1,354,960
Bank service charges	-	216,429	29,951	246,380	320,734
Bad debts	-	87,000	-	87,000	19,992
Special events	-	94,252	-	94,252	91,025
Agency support	529,418	-	-	529,418	865,116
Professional fees	373,365	160,574	218,502	752,441	1,089,223
Media and communications	-	521,302	6,543	527,845	530,784
Federal Emergency Management Agency funds distributed	266,023	-	-	266,023	376,987
Interest	419,694	-	-	419,694	69,997
Miscellaneous	30,794	29,266	87,138	147,198	45,936
Total other operating	2,124,369	2,841,764	481,682	5,447,815	5,698,404
Subtotal	12,958,639	4,866,540	2,734,131	20,559,310	22,356,637
Purchased food distributed	7,338,617	-	-	7,338,617	15,413,972
Donated food distributed	60,593,980	-	-	60,593,980	79,614,411
Less special event costs	-	(94,252)	-	(94,252)	(91,025)
Total expenses	\$ 80,891,236	\$ 4,772,288	\$ 2,734,131	\$ 88,397,655	\$ 117,293,995

See notes to consolidated financial statements

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements
September 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Activities

Gleaners Community Food Bank of Southeastern Michigan and Affiliate (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 consolidated financial statements include the accounts of Gleaners Community Food Bank of Southeastern Michigan (Food Bank) and Gleaners Distribution Corporation (Distribution Corporation). The Food Bank is the sole corporate member of the Distribution Corporation. All significant intercompany transactions and accounts are eliminated.

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 food access safely, with minimal contact, for people seeking assistance. Record food distributions during fiscal 2021 and 2020 were supported by record financial contributions and government food receipts. Fiscal 2022 returned to more normal levels of food distributions, however uncertainty driven by high inflation, increased community demand for food, and reduced USDA food donations will create both opportunities and risks over the next 6 to 12 months as the impact of these realities play 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 three 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).

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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

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

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

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

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

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 as of September 30, 2022 and 2021.

Promises to Give

The Organization's promises to give are comprised primarily of amounts committed from individuals, foundations 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 \$109,593 and \$45,305 as of September 30, 2022 and 2021, respectively. The allowance for doubtful accounts was \$50,000 as of September 30, 2022 and 2021.

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.

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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.

Deferred Revenue

Deferred revenue includes support received from government agencies and contributions received 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, which was originally recorded in deferred revenue. 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.

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, 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 consolidated 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 and Affiliate

Notes to Consolidated Financial Statements
September 30, 2022 and 2021

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 \$3,570,922 and \$3,946,029 of conditional contributions and grants received and included in deferred revenue at September 30, 2022 and 2021, 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 \$335,954 and \$91,640 as of September 30, 2022 and 2021, respectively, and are included in trade receivables, net on the consolidated statements of financial position.

Contributed Nonfinancial Assets

During fiscal 2022, the Organization adopted Accounting Standards Update 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 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Organization has adjusted the presentation of these consolidated financial statements accordingly as ASU No. 2020-07 has been applied retrospectively to all periods presented.

As a result of the adoption of ASU No. 2020-07, the consolidated statement of activities of the Organization for the year ended September 30, 2021, was adjusted as follows:

	After Adoption of ASU No. 2020-07	As Originally Presented	Effect of Change
Contributions	\$ -	\$ 31,358,554	\$ (31,358,554)
Contributions of cash and other financial assets	\$ 30,396,834	\$ -	\$ 30,396,834
Contributions of nonfinancial assets	\$ 961,720	\$ -	\$ 961,720

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For the years ended September 30, contributed nonfinancial assets recognized in the consolidated statements of activities at fair market value included:

	<u>2022</u>	<u>2021</u>
Use of facility (see Note 4)	\$ -	\$ 851,393
Vehicle used to deliver food	-	60,000
Office furniture used in new warehouse (see Note 10)	-	43,627
Camera equipment to record/stream program services	3,975	-
Professional services	5,320	6,700
	<u>\$ 9,295</u>	<u>\$ 961,720</u>

All contributed nonfinancial assets did not contain any donor-imposed restrictions and were utilized for the Organization's programs and related services.

The Organization recognizes contributions of nonfinancial assets revenue and a corresponding asset or expense in an amount approximating the estimated fair value at the time of the donation. The donated use of facility was valued at the fair value of similar properties available in commercial real estate listings. The office furniture was valued at the current average price located on a public available website for similar items that were in a used condition. The camera equipment was valued at the current purchase price of the equipment provided by the vendor making the donation.

The Organization receives donated services from members of the community and volunteers. 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. Donated professional services in fiscal 2022 and 2021 consisted of construction and event related services that were valued at the standard billing rates for these services as provided by the vendor making the donation. Volunteer services mainly used to pack food boxes and stock pantry shelves valued at approximately \$799,598 and \$565,568 have not been recognized in the accompanying consolidated statements of activities for the years ended September 30, 2022 and 2021, respectively, as they do not meet the requirements for recognition.

Functional Allocation of Expenses

The costs of providing program and supporting services have been reported on a functional basis in the consolidated 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.

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Income Taxes

The Food Bank and the Distribution Corporation are not-for-profit organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and are exempt from similar state and local taxes. Although the Food Bank and the Distribution Corporation were 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. Neither the Food Bank or the Distribution Corporation have been classified as 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 consolidated 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, 2022 or 2021, 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 consolidated financial position of the Organization.

Occasionally, the Organization is a defendant in lawsuits arising in the ordinary course of business. Although the outcome of the lawsuits cannot be determined with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Organization's consolidated financial statements.

Summarized Information

The consolidated 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 consolidated financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Reclassification

For comparability, certain 2021 amounts have been reclassified to conform with classifications adopted in 2022. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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2. Fair Value Measurements

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

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

Beneficial Interest In Charitable Remainder Unitrust: Fair value measurements of this asset are determined by the underlying investments in the trust which are based upon quoted prices, as well as the present value of future payments to current recipients, changes in actuarial assumptions, a rate of return of 1.8 percent and a discount rate of 3 percent as of September 30, 2022 and 2021.

Beneficial Interest in funds held at the Community Foundation for Southeast Michigan (the Foundation): The Organization has been allocated its portion of 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, 2022			
	Total	Level 1	Level 2	Level 3
Beneficial Interest in charitable remainder unitrust	\$ 996,754	\$ -	\$ -	\$ 996,754
Beneficial Interest in funds held at the Foundation	1,678,292	-	-	1,678,292
Total	<u>\$ 2,675,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,675,046</u>
	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 Foundation	2,041,710	-	-	2,041,710
Total	<u>\$ 3,168,821</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,168,821</u>

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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>2022</u>	<u>2021</u>
Beginning of year	\$ 1,127,111	\$ 1,030,335
Net investment gain (loss)	<u>(130,357)</u>	<u>96,776</u>
End of year	<u>\$ 996,754</u>	<u>\$ 1,127,111</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 Foundation for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Beginning of year	\$ 2,041,710	\$ 1,720,402
Fees paid	(8,962)	(8,547)
Investment income (loss)	(275,042)	368,316
Distributions	<u>(79,414)</u>	<u>(38,461)</u>
End of year	<u>\$ 1,678,292</u>	<u>\$ 2,041,710</u>

3. Promises to Give

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

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,272,833	\$ 2,081,829
Less allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
Total current promises to give, net of allowance	<u>1,222,833</u>	<u>2,031,829</u>
One to five years	1,193,974	864,899
Less: Discount to present value	<u>(109,593)</u>	<u>(45,305)</u>
Total promises to give, non-current	<u>1,084,381</u>	<u>819,594</u>
Total promises to give, net	<u>\$ 2,307,214</u>	<u>\$ 2,851,423</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. In November 2021, 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.

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4. 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 food pantry and other community related activities. Operations of the facility 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 recorded in-kind donations of \$851,393 in the consolidated statements 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, 2022 and 2021 of \$422,739 and \$704,565, respectively. Rent expense for the use of this facility expected to be recognized during the years ending September 30, 2023 and 2024 is \$281,826 and \$140,913, respectively.

5. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,125,027	\$ 1,432,414
Building and building improvements	21,994,447	20,782,288
Warehouse equipment	2,412,204	2,297,866
Furniture and equipment	1,732,082	1,707,983
Vehicles	1,624,856	1,624,856
Construction in progress	<u>665,950</u>	<u>242,710</u>
Total property and equipment	30,554,566	28,088,117
Less accumulated depreciation	<u>(9,004,732)</u>	<u>(8,241,569)</u>
Net property and equipment	<u>\$ 21,549,834</u>	<u>\$ 19,846,548</u>

In August 2022, the Organization purchased a piece of land for \$692,613 to construct its first stand-alone Fresh Market Pantry. This pantry will provide food-insecure customers regular, convenient, and reliable access to nutritious fresh produce and dairy at no cost through a dignified retail shopping experience designed to provide choice and encourage health food consumption.

6. 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 \$996,754 and \$1,127,111 at September 30, 2022 and 2021, respectively.

7. Beneficial Interest in Funds Held at the Community Foundation for Southeast Michigan

The Organization has transferred assets to the Foundation Endowment Fund 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 \$79,414 and \$38,461 during the years ended September 2022 and 2021, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation, totaling \$1,678,292 and \$2,041,710 at September 30, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements
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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 \$89,711 and \$43,430 during the years ended September 30, 2022 and 2021, respectively. The Organization has not recorded any interest in these assets in the accompanying consolidated financial statements. The balance of these invested assets not recorded in the Organization's consolidated financial statements totaled \$1,993,950 and \$2,303,195 at September 30, 2022 and 2021, respectively.

8. 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 had 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 Organization recognized a \$209,826 loss on sale of assets in the consolidated 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. In June 2022, this land contract note receivable was repaid in full.

9. New Markets Tax Credit Financing

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 10. At the same time, a wholly-owned, non-profit subsidiary (the Distribution Corporation) was set-up to facilitate this NMTC financing transaction. In connection with this financing transaction, the following items were created:

- The Food Bank extended an \$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 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 10 (which were transferred from the Food Bank to the Distribution Corporation as part of the NMTC financing transaction), as well as substantially all the general business assets of the Distribution Corporation; and require interest only payments during the 7-year NMTC compliance period. The unamortized debt issuance costs for these notes payable were \$483,402 as of September 30, 2022.

The agreements include a put/call option available to exercise after the 7-year NMTC compliance period which would allow the Food Bank 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 approximate each other.

At the close of the NMTC financing transaction, the Food Bank 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 a portion of interest payments, as well as, the on-going annual management fee and accounting cost reimbursements to the community development entities by the Distribution Corporation over the 7-year NMTC compliance period has been fully funded in restricted bank accounts as part of the NMTC financing transaction.

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10. 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 and were completed 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.

In December 2021, the construction note was converted to a term note with a bank in connection with the NMTC financing transaction (see Note 9), collateralized by the Food Bank's Detroit warehouse/headquarters facility, as well as substantially all its general business assets, with interest due monthly until December 2026 at the One-Month LIBOR Rate plus 1.5% per annum (interest rate of 4.1 percent as of September 30, 2022). Quarterly principal payments on the term note started in April 2022 based on certain cash collections from the Organization's capital fundraising campaign, NMTC related cash receipts, and available unrestricted operating cash receipts. The outstanding notes payable balance was \$2,262,823, less unamortized debt issuance costs of \$32,438, as of September 30, 2022. As of the date the consolidated financial statements were available to be issued (see Note 17), \$547,862 has been collected that have been/will be used to make principal payments on the term note during fiscal 2023. Due to principal payments to be made during the next fiscal years being dependent on collections of certain capital campaign promises to give or available unrestricted operating cash receipts, the Organization is unable to estimate the payments to be made. Any unpaid principal balance at December 2026 will become due from the Organization regardless of capital campaign promises to give collections or available unrestricted operating cash receipts.

11. Line of Credit

As of September 30, 2022, 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 plus 1.5 percent per annum (interest rate of 4.1 percent as of September 30, 2022), collateralized by substantially all general business assets of the Food Bank. As of September 30, 2021, the Organization had a line-of-credit agreement with a bank under which the Organization was permitted to borrow up to \$2,000,000, with monthly interest only payments at the One-Month LIBOR Rate (with a LIBOR floor of 0.5%) plus 1.75 percent per annum (interest rate of 2.25 percent as of September 30, 2021). There were no outstanding borrowings on these lines of credit as of September 30, 2022 and 2021.

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 Term SOFR Rate plus 1.5 percent per annum, collateralized by substantially all the general business assets of the Food Bank. The line of credit becomes due in December 2024. No amounts were outstanding on the line of credit at the time of renewal.

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Notes to Consolidated Financial Statements
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12. 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 (Note 1). All donated food received did not contain any donor-imposed restrictions and was utilized for the Organization's programs.

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

	<u>2022</u>	<u>2021</u>
Donated	31,516,007	44,197,617
Purchased	<u>15,534,067</u>	<u>27,217,925</u>
Total	<u><u>47,050,074</u></u>	<u><u>71,415,542</u></u>

13. 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 to the plan up to the legal limit prescribed by section 401(k) of the Internal Revenue Code. The Organization may make a profit sharing contribution to the plan 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. In addition, the Organization may make a match contribution to the plan at its discretion to employees participating in the plan with a minimum of one year of service and 1,000 hours worked in the current plan year. Participants are fully vested in employer profit sharing and match contributions after five years of service. For the years ended September 30, 2022 and 2021, there were no employer profit sharing contributions to the plan. However, for the years ended September 30, 2022 and 2021, employee contributions were matched 100% by the Organization up to \$1,000 at a cost of \$75,496 and \$75,000, respectively.

14. 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 2027
Taylor, MI	5 years	September 2023

Total rent expense for vehicles, equipment and facilities was \$643,930 and \$1,022,730 for the years ended September 30, 2022 and 2021, respectively, and is comprised of the following for the year ended September 30:

	<u>2022</u>	<u>2021</u>
Building and warehouse equipment (in Rent)	\$ 207,190	\$ 446,732
Vehicle (in Rent and Transportation)	391,744	530,984
Office equipment (in Office Supplies)	<u>44,996</u>	<u>45,014</u>
Total rent expense	<u><u>\$ 643,930</u></u>	<u><u>\$ 1,022,730</u></u>

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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, 2022:

2023	\$	615,270
2024		479,810
2025		397,420
2026		290,024
2027		198,036
Thereafter		<u>30,973</u>
Total	\$	<u>2,011,533</u>

In July 2022, the Organization leased its Pontiac warehouse facility to its largest agency partner in Oakland County, Michigan for a monthly lease payment of zero (\$0). The lease has a one-year term with five (5) one-year renewal options. The lessee is responsible for paying all ongoing operating costs for the facility and its desired improvements to the facility over the life of the lease with the Organization being responsible for paying all structural repair/replacement costs for the facility. If the lessee continues to lease the facility after the initial lease term has expired under its renewal rights, it will have a right of first refusal to purchase the facility under terms outlined in the lease agreement if the Organization has received and intends to accept an offer from a third party to purchase the facility.

15. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Program services	\$ 1,615,027	\$ 1,577,360
Beneficial interest in charitable remainder unitrust	996,754	1,127,111
Mercado Pantry use of facilities	422,739	704,565
Time restrictions	2,307,214	2,851,423
Beneficial Interest in funds held at the Foundation	<u>1,678,292</u>	<u>2,041,710</u>
Total	<u>\$ 7,020,026</u>	<u>\$ 8,302,169</u>

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements
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16. Liquidity and Funds Available

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

	<u>2022</u>	<u>2021</u>
Total current assets, at year-end	\$ 30,036,461	\$ 31,852,227
Less non-financial assets:		
Promises to give for the use of facilities	281,826	281,826
Food inventories	1,750,375	5,243,379
Prepaid expenses	<u>304,144</u>	<u>314,083</u>
Financial assets, at year-end	27,700,116	26,012,939
Less net assets with donor restrictions included in financial assets	<u>2,769,650</u>	<u>3,609,188</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,930,466</u>	<u>\$ 22,403,751</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.

17. Subsequent Events

Management has evaluated subsequent events through February 16, 2023, the date which the consolidated financial statements were available to be issued.

18. Future Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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). Management is currently evaluating the impact of ASU No. 2016-02 on the Organization's consolidated financial statements.

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASU No. 2016-13). ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The Organization will be required to apply the standard for fiscal years and reporting periods beginning after December 15, 2022 (2024). Early adoption is permitted. Management is currently assessing the effect that ASU No. 2016-13 (as amended) will have on the Organization's consolidated financial statements.

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidating Statement of Financial Position
September 30, 2022

	Gleaners Community Food Bank of Southeastern Michigan	Gleaners Distribution Corporation	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	\$ 24,896,877	\$ 652,543	\$ -	\$ 25,549,420
Receivables:				
Trade receivables, net	397,962	-	-	397,962
Grants receivable	529,901	-	-	529,901
Promises to give, net of allowance	1,222,833	-	-	1,222,833
Promises to give for the use of facility	281,826	-	-	281,826
Food Inventories:				
Donated Inventory	1,283,747	-	-	1,283,747
Purchased Inventory	466,628	-	-	466,628
Prepaid expenses	304,144	-	-	304,144
Total current assets	<u>29,383,918</u>	<u>652,543</u>	<u>-</u>	<u>30,036,461</u>
Property and Equipment, Net	<u>5,335,018</u>	<u>16,214,816</u>	<u>-</u>	<u>21,549,834</u>
Other Assets				
Promises to give, non-current net of discount	1,084,381	-	-	1,084,381
Promises to give for the use of facility, non-current	140,913	-	-	140,913
Note receivable, non-current	11,912,300	-	-	11,912,300
Beneficial interest in charitable remainder unitrust	996,754	-	-	996,754
Beneficial interest in funds held at the Community Foundation for Southeast Michigan	1,678,292	-	-	1,678,292
Total other assets	<u>15,812,640</u>	<u>-</u>	<u>-</u>	<u>15,812,640</u>
Total assets	<u>\$ 50,531,576</u>	<u>\$ 16,867,359</u>	<u>\$ -</u>	<u>\$ 67,398,935</u>
Current Liabilities				
Accounts payable	\$ 1,365,237	\$ -	\$ -	\$ 1,365,237
Accrued liabilities	484,984	55,236	-	540,220
Deferred revenue	3,570,922	-	-	3,570,922
Current maturities of notes payable	547,862	-	-	547,862
Total current liabilities	<u>5,969,005</u>	<u>55,236</u>	<u>-</u>	<u>6,024,241</u>
Long-Term Liabilities				
Notes payable, non-current, less unamortized debt issuance costs	1,682,523	16,091,598	-	17,774,121
Total liabilities	<u>7,651,528</u>	<u>16,146,834</u>	<u>-</u>	<u>23,798,362</u>
Net Assets				
Without donor restrictions:				
Cash and other activities	34,576,275	720,525	-	35,296,800
Noncash food donations/distributions	1,283,747	-	-	1,283,747
Total net assets without donor restrictions	35,860,022	720,525	-	36,580,547
With donor restrictions	7,020,026	-	-	7,020,026
Total net assets	<u>42,880,048</u>	<u>720,525</u>	<u>-</u>	<u>43,600,573</u>
Total liabilities and net assets	<u>\$ 50,531,576</u>	<u>\$ 16,867,359</u>	<u>\$ -</u>	<u>\$ 67,398,935</u>

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidating Statement of Activities

Year Ended September 30, 2022

	Gleaners Community Food Bank of Southeastern Michigan	Gleaners Distribution Corporation	Eliminations	Consolidated
Revenue				
Donated food received	\$ 57,200,569	\$ -	\$ -	\$ 57,200,569
Contributions of cash and other financial assets	23,959,719	-	-	23,959,719
Contributions of nonfinancial assets	9,295	-	-	9,295
Special events, net of direct expenses	207,561	-	-	207,561
Grants and indirect support	2,781,675	-	-	2,781,675
Purchased food revenue	5,761,374	-	-	5,761,374
Agency shared maintenance fee	516,728	-	-	516,728
Change in beneficial interest in charitable remainder trust	(130,357)	-	-	(130,357)
Interest income	117,737	-	-	117,737
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	(363,418)	-	-	(363,418)
Other	357,969	101,447	(101,447)	357,969
Total revenue	<u>90,418,852</u>	<u>101,447</u>	<u>(101,447)</u>	<u>90,418,852</u>
Expenses				
Program services	80,454,649	538,034	(101,447)	80,891,236
Fundraising	4,772,288	-	-	4,772,288
Management and general	2,727,552	6,579	-	2,734,131
Total expenses	<u>87,954,489</u>	<u>544,613</u>	<u>(101,447)</u>	<u>88,397,655</u>
Change in net assets from operations	<u>2,464,363</u>	<u>(443,166)</u>	<u>-</u>	<u>2,021,197</u>
Other Changes in Net Assets				
Contributions between affiliates for property and equipment purchases	(1,163,691)	1,163,691	-	-
Change in net assets	<u>1,300,672</u>	<u>720,525</u>	<u>-</u>	<u>2,021,197</u>
Net Assets, Beginning	<u>41,579,376</u>	<u>-</u>	<u>-</u>	<u>41,579,376</u>
Net Assets, Ending	<u>\$ 42,880,048</u>	<u>\$ 720,525</u>	<u>\$ -</u>	<u>\$ 43,600,573</u>

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidating Statement of Cash Flows
Year Ended September 30, 2022

	Gleaners Community Food Bank of Southeastern Michigan	Gleaners Distribution Corporation	Eliminations	Consolidated
Cash Flows from Operating Activities				
Change in net assets	\$ 1,300,672	\$ 720,525	\$ -	\$ 2,021,197
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	510,950	251,767	-	762,717
Amortization of debt issuance costs	7,039	60,183	-	67,222
Non-cash donations - use of facility, furniture, and labor	(5,320)	-	-	(5,320)
Non-cash rent expense for use of facility	281,826	-	-	281,826
Bad debt expense	87,000	-	-	87,000
Change in donated food inventories	3,393,411	-	-	3,393,411
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	363,418	-	-	363,418
Change in beneficial interest in charitable remainder unitrust	130,357	-	-	130,357
Change in assets and liabilities that provided (used) cash:				
Trade receivables, grants receivable and promises to give	1,173,343	-	-	1,173,343
Purchased food inventory	99,593	-	-	99,593
Prepaid expenses	9,939	-	-	9,939
Accounts payable	(243,307)	-	-	(243,307)
Accrued liabilities	(229,390)	55,236	-	(174,154)
Deferred revenue	(375,107)	-	-	(375,107)
Net cash flows from operating activities	<u>6,504,424</u>	<u>1,087,711</u>	<u>-</u>	<u>7,592,135</u>
Cash Flows from Investing Activities				
Purchases of property and equipment	(1,493,104)	(16,466,583)	15,509,724	(2,449,963)
Proceeds from sale of property and equipment	15,509,724	-	(15,509,724)	-
Issuance of notes receivable	(11,912,300)	-	-	(11,912,300)
Collections on notes receivable	<u>1,085,000</u>	<u>-</u>	<u>-</u>	<u>1,085,000</u>
Net cash flows from investing activities	<u>3,189,320</u>	<u>(16,466,583)</u>	<u>-</u>	<u>(13,277,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable	32,251	16,575,000	-	16,607,251
Payment on notes payable	(7,088,735)	-	-	(7,088,735)
Payment of debt issuance costs	<u>(17,496)</u>	<u>(543,585)</u>	<u>-</u>	<u>(561,081)</u>
Net cash flows from financing activities	<u>(7,073,980)</u>	<u>16,031,415</u>	<u>-</u>	<u>8,957,435</u>
Net change in cash and cash equivalents	2,619,764	652,543	-	3,272,307
Cash and Cash Equivalents, Beginning	<u>22,277,113</u>	<u>-</u>	<u>-</u>	<u>22,277,113</u>
Cash and Cash Equivalents, Ending	<u>\$ 24,896,877</u>	<u>\$ 652,543</u>	<u>\$ -</u>	<u>\$ 25,549,420</u>
Supplemental Cash Flow Disclosures				
Purchases of property and equipment financed with accounts payable	\$ 558,000	\$ -	\$ -	\$ 558,000
Interest paid on notes payable	176,077	125,010	-	301,087

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Schedule of Operating Highlights
Years Ended September 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Pounds of food distributed (A)	47,050,074	71,415,542	63,751,696	45,694,367	44,714,908
Pounds of donated food in ending inventory	668,618	2,612,937	2,346,128	1,688,785	807,288
Weighted average cost per pound	\$ 1.92	\$ 1.79	\$ 1.74	\$ 1.62	\$ 1.70
Pounds of purchased food in ending inventory	497,178	714,422	1,223,415	430,734	394,787
Cost per pound	\$ 0.94	\$ 0.79	\$ 0.74	\$ 0.62	\$ 0.62
Inventory turnover	19.3	18.5	21.4	25.2	27.4

(A) See Note 1, Nature of Activities section.

**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 and Affiliate

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 (*Government Auditing Standards*), the consolidated financial statements of Gleaners Community Food Bank of Southeastern Michigan and Affiliate (the Organization), which comprise the Organization's consolidated statement of financial position as of September 30, 2022, and the related consolidated 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 16, 2023.

Report on 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 consolidated 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 or significant deficiencies may exist that were not identified.

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

Baker Tilly US, LLP

Southfield, Michigan
February 16, 2023

**Report on Compliance
for the 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 and Affiliate

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Gleaners Community Food Bank of Southeastern Michigan and Affiliate's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2022. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 16, 2023

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

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	\$ 98,474
Emergency Food Assistance (Administrative Costs)	10.568	Not available	229,886
Emergency Food Assistance (COSUP Food Commodities)	10.569	Not available	4,728,174
Emergency Food Assistance (TEFAP-BBB)	10.569	Not available	<u>618,448</u>
Total Food Distribution Cluster			<u>5,674,982</u>
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.559	82SF13000	<u>348,830</u>
Total Child Nutrition Cluster			<u>348,830</u>
Passed through the Michigan Department of Education			
Child and Adult Care Food Program	10.558	82SF13000	<u>189,998</u>
Total Assistance Listing Number 10.558			<u>189,998</u>
Supplemental Nutrition Assistance Program Cluster			
Passed through the Food Bank Council of Michigan			
SNAP - Outreach	10.561	Not Available	7,207
Passed through the Michigan Fitness Foundation			
Cooking Matters - Nutrition Program	10.561	FY17 GCFB	<u>479,093</u>
Total Supplemental Nutrition Assistance Program Cluster			<u>486,300</u>
Total U.S Department of Agriculture			<u>6,700,110</u>

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
Passed through the United Way			
Phase ARPAR			
Emergency Food and Shelter National Board Program - ARPAN Out-Wayne County	97.024	483600-047	\$ 274,254
Emergency Food and Shelter National Board Program - ARPAN Detroit	97.024	484400-226	387,079
Emergency Food and Shelter National Board Program - ARPAN Macomb County	97.024	474600-020	24,000
Emergency Food and Shelter National Board Program- ARPAN Oakland County	97.024	478200-030	83,271
Phase 39			
Emergency Food and Shelter National Board Program - Out- Wayne County	97.024	483600-047	70,680
Emergency Food and Shelter National Board Program - Detroit	97.024	484400-226	76,190
Emergency Food and Shelter National Board Program - Macomb County	97.024	474600-020	48,582
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	<u>85,222</u>
Total U.S. Department of Homeland Security			<u>1,049,278</u>
Total Federal Awards			<u>\$ 7,749,388</u>

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

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 and Affiliate (the Organization) under programs of the federal government for the year ended September 30, 2022. 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 and Affiliate

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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 no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified not considered to be material weaknesses? _____ yes 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 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

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

Auditee qualified as low-risk auditee? yes _____ no

Section II: Financial Statement Findings

None

Section III: Federal Findings and Questioned Costs

None

Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2022

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