

# **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

Consolidated Financial Statements and  
Supplementary Information

September 30, 2023

(With comparative information for September 30, 2022)

# 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, 2023, 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, 2023, 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

#### ***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.

#### ***Report on Summarized Comparative Information***

We have previously audited the Organization's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### ***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 GAAS. 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 15, 2024 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 15, 2024

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

## Consolidated Statement of Financial Position

September 30, 2023 (With comparative totals for September 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,558,088	\$ 25,549,420
Short-term investments	17,695,383	-
Receivables		
Trade receivables, net	500,038	397,962
Grants receivable, net	544,184	529,901
Promises to give, net of allowance	1,209,762	1,222,833
Promises to give for the use of facility	140,913	281,826
Food inventories:		
Donated inventory	2,575,029	1,283,747
Purchased inventory	667,323	466,628
Prepaid expenses	<u>403,784</u>	<u>304,144</u>
Total current assets	<u>31,294,504</u>	<u>30,036,461</u>
<b>Property and Equipment, Net</b>	<u>21,864,755</u>	<u>21,549,834</u>
<b>Other Assets</b>		
Promises to give, non-current net of discount	408,360	1,084,381
Promises to give for the use of facility, non-current	-	140,913
Note receivable, non-current	11,912,300	11,912,300
Operating lease right of use asset, net	1,018,550	-
Beneficial interest in charitable remainder unitrust	1,072,564	996,754
Beneficial interest in funds held at the Community Foundation for Southeast Michigan	<u>1,762,493</u>	<u>1,678,292</u>
Total other assets	<u>16,174,267</u>	<u>15,812,640</u>
Total assets	<u>\$ 69,333,526</u>	<u>\$ 67,398,935</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 968,406	\$ 1,365,237
Accrued liabilities	686,679	540,220
Operating lease liability	329,986	-
Deferred revenue	2,905,036	3,570,922
Current maturities of notes payable	<u>43,525</u>	<u>547,862</u>
Total current liabilities	4,933,632	6,024,241
<b>Long-term Liabilities</b>		
Operating lease liability, non-current	693,674	-
Notes payable, non-current, less unamortized debt issuance costs	<u>17,280,102</u>	<u>17,774,121</u>
Total liabilities	<u>22,907,408</u>	<u>23,798,362</u>
<b>Net Assets</b>		
Without donor restrictions:		
Cash and other activities	37,903,355	35,296,800
Noncash food donations/distributions	<u>2,575,029</u>	<u>1,283,747</u>
Total without donor restrictions	40,478,384	36,580,547
With donor restrictions	<u>5,947,734</u>	<u>7,020,026</u>
Total net assets	<u>46,426,118</u>	<u>43,600,573</u>
Total liabilities and net assets	<u>\$ 69,333,526</u>	<u>\$ 67,398,935</u>

See notes to consolidated financial statements

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

## Consolidated Statement of Activities

Year Ended September 30, 2023 (With summarized comparative totals for the year ended September 30, 2022)

	Cash and Other Activities	Noncash Food Donations/ Distributions	Total Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>Revenue and Other Support</b>						
Donated food received	\$ -	\$ 62,924,023	\$ 62,924,023	\$ -	\$ 62,924,023	\$ 57,200,569
Contributions, grants and other revenue:						
Contributions of cash and other financial assets	10,989,564	-	10,989,564	8,813,602	19,803,166	23,959,719
Contributions of nonfinancial assets	61,900	-	61,900	-	61,900	9,295
Special events, net of direct expenses of \$148,903 and \$94,252 in 2023 and 2022, respectively	233,932	-	233,932	-	233,932	207,561
Grants and indirect support	2,910,899	-	2,910,899	-	2,910,899	2,781,675
Purchased food revenue	6,424,120	-	6,424,120	-	6,424,120	5,761,374
Agency shared maintenance fee	794,357	-	794,357	-	794,357	516,728
Change in beneficial interest in charitable remainder unitrust	-	-	-	75,810	75,810	(130,357)
Interest income	967,768	-	967,768	-	967,768	117,737
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	-	-	-	84,201	84,201	(363,418)
Other	509,161	-	509,161	-	509,161	357,969
Total contributions, grants and other revenue	<u>22,891,701</u>	<u>-</u>	<u>22,891,701</u>	<u>8,973,613</u>	<u>31,865,314</u>	<u>33,218,283</u>
Net assets released from restrictions	10,045,905	-	10,045,905	(10,045,905)	-	-
Total revenue and other support	<u>32,937,606</u>	<u>62,924,023</u>	<u>95,861,629</u>	<u>(1,072,292)</u>	<u>94,789,337</u>	<u>90,418,852</u>
<b>Expenses</b>						
Program services:						
Personnel	5,886,552	-	5,886,552	-	5,886,552	6,487,654
Purchased food distributed	10,031,062	-	10,031,062	-	10,031,062	7,338,617
Donated food distributed	-	61,632,741	61,632,741	-	61,632,741	60,593,980
Transportation	1,032,547	-	1,032,547	-	1,032,547	1,285,497
Occupancy	3,351,298	-	3,351,298	-	3,351,298	3,061,119
Other operating	2,311,687	-	2,311,687	-	2,311,687	2,124,369
Total program services	<u>22,613,146</u>	<u>61,632,741</u>	<u>84,245,887</u>	<u>-</u>	<u>84,245,887</u>	<u>80,891,236</u>
Supporting services:						
Fundraising	4,651,967	-	4,651,967	-	4,651,967	4,772,288
Management and general	3,065,938	-	3,065,938	-	3,065,938	2,734,131
Total supporting services	<u>7,717,905</u>	<u>-</u>	<u>7,717,905</u>	<u>-</u>	<u>7,717,905</u>	<u>7,506,419</u>
Total expenses	<u>30,331,051</u>	<u>61,632,741</u>	<u>91,963,792</u>	<u>-</u>	<u>91,963,792</u>	<u>88,397,655</u>
Change in net assets	2,606,555	1,291,282	3,897,837	(1,072,292)	2,825,545	2,021,197
<b>Net Assets, Beginning</b>	<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>
<b>Net Assets, Ending</b>	<u>\$ 37,903,355</u>	<u>\$ 2,575,029</u>	<u>\$ 40,478,384</u>	<u>\$ 5,947,734</u>	<u>\$ 46,426,118</u>	<u>\$ 43,600,573</u>

See notes to consolidated financial statements

## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

### Consolidated Statement of Cash Flows

Year Ended September 30, 2023 (With comparative totals for the year ended September 30, 2022)

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,825,545	\$ 2,021,197
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation expense	849,113	762,717
Amortization of debt issuance costs	85,374	67,222
Non-cash donations - use of labor	-	(5,320)
Non-cash rent expense for use of facility	281,826	281,826
Bad debt expense	25,000	87,000
Change in donated food inventories	(1,291,282)	3,393,411
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	(84,201)	363,418
Change in beneficial interest in charitable remainder unitrust	(75,810)	130,357
Accrued investment interest and unrealized investment gain	(151,887)	-
Gain on sale of property and equipment	(26,286)	-
Lease costs	5,110	-
Change in assets and liabilities that provided (used) cash:		
Trade receivables, grants receivable and promises to give	547,733	1,173,343
Purchased food inventory	(200,695)	99,593
Prepaid expenses	(99,640)	9,939
Accounts payable	161,169	(243,307)
Accrued liabilities	146,459	(174,154)
Deferred revenue	(665,886)	(375,107)
Net cash flows from operating activities	2,331,642	7,592,135
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(1,772,748)	(2,449,963)
Proceeds from sale of property and equipment	77,000	-
Issuance of notes receivable	-	(11,912,300)
Purchases of short-term investments	(22,542,490)	-
Sales of short-term investments	4,998,994	-
Collections on notes receivable	-	1,085,000
Net cash flows from investing activities	(19,239,244)	(13,277,263)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	-	16,607,251
Payment on notes payable	(1,083,730)	(7,088,735)
Payment of debt issuance costs	-	(561,081)
Net cash flows from financing activities	(1,083,730)	8,957,435
Net change in cash and cash equivalents	(17,991,332)	3,272,307
<b>Cash and Cash Equivalents, Beginning</b>	25,549,420	22,277,113
<b>Cash and Cash Equivalents, Ending</b>	\$ 7,558,088	\$ 25,549,420
<b>Supplemental Cash Flow Disclosures</b>		
Purchases of property and equipment financed with accounts payable	\$ -	\$ 558,000
Interest paid on notes payable	311,906	301,087

See notes to consolidated financial statements



## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

### Consolidated Statement of Functional Expenses

Year Ended September 30, 2023 (With summarized comparative totals for the year ended September 30, 2022)

	Program Services- Food Bank	Fundraising	Management and General	2023 Total	2022 Total
<b>Personnel</b>					
Salaries	\$ 4,657,555	\$ 1,528,164	\$ 2,140,231	\$ 8,325,950	\$ 8,752,269
Payroll taxes and employee benefits	1,228,997	272,733	295,767	1,797,497	1,845,342
Total personnel	<u>5,886,552</u>	<u>1,800,897</u>	<u>2,435,998</u>	<u>10,123,447</u>	<u>10,597,611</u>
<b>Transportation</b>	<u>1,032,547</u>	<u>-</u>	<u>-</u>	<u>1,032,547</u>	<u>1,285,497</u>
<b>Occupancy</b>					
Depreciation	763,608	51,502	34,003	849,113	762,717
Rent	487,210	4,535	-	491,745	489,017
Warehouse supplies	196,211	-	-	196,211	182,674
Utilities	549,436	24,936	15,962	590,334	618,041
Insurance	178,627	8,107	5,190	191,924	97,865
Repairs and maintenance	656,535	22,715	14,541	693,791	574,982
Security	256,084	11,622	7,440	275,146	247,898
Uniforms	10,352	-	-	10,352	8,740
Other occupancy	253,235	11,493	7,357	272,085	246,453
Total occupancy	<u>3,351,298</u>	<u>134,910</u>	<u>84,493</u>	<u>3,570,701</u>	<u>3,228,387</u>
<b>Other Operating</b>					
Telephone	112,432	21,081	18,069	151,582	153,129
Program expense	94,814	49,280	27,433	171,527	157,496
Travel and meetings	87,088	18,634	29,705	135,427	93,753
Office supplies	145,770	26,010	23,427	195,207	304,795
Online service	6,664	110,959	34,154	151,777	145,055
Solicitation mailings	217	1,551,574	62	1,551,853	1,523,336
Bank service charges	-	218,915	27,002	245,917	246,380
Bad debts	-	25,000	-	25,000	87,000
Special events	-	148,903	-	148,903	94,252
Agency support	699,302	-	-	699,302	529,418
Professional fees	428,983	84,624	285,913	799,520	752,441
Media and communications	-	567,982	3,362	571,344	527,845
Federal Emergency Management Agency funds distributed	310,708	-	-	310,708	266,023
Interest	396,041	-	-	396,041	419,694
Miscellaneous	29,668	42,101	96,320	168,089	147,198
Total other operating	<u>2,311,687</u>	<u>2,865,063</u>	<u>545,447</u>	<u>5,722,197</u>	<u>5,447,815</u>
Subtotal	12,582,084	4,800,870	3,065,938	20,448,892	20,559,310
Purchased food distributed	10,031,062	-	-	10,031,062	7,338,617
Donated food distributed	61,632,741	-	-	61,632,741	60,593,980
Less special event costs	-	(148,903)	-	(148,903)	(94,252)
Total expenses	<u>\$ 84,245,887</u>	<u>\$ 4,651,967</u>	<u>\$ 3,065,938</u>	<u>\$ 91,963,792</u>	<u>\$ 88,397,655</u>

See notes to consolidated financial statements

# **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

## **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 in the consolidated financial statements.

Fiscal 2023 and 2022 returned to more normal levels of food distributions post pandemic. However, uncertainty driven by high inflation and the elimination of pandemic-related benefits for certain individuals increased community demand for food. Unknown levels of financial contributions and 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, deposits in an overnight sweep account earning annual interest of 4.07% as of September 30, 2023, invested in money market funds, and deposits in an insured cash sweep account earning annual interest of 5.15% as of September 30, 2023, invested in certificates of deposit, all with original maturities when purchased of less than three months.

The Organization maintains its cash and cash equivalents 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 because of this situation.

### **Short-Term Investments**

Short-term investments are reported at fair value in the consolidated statement of financial position with the changes in fair value reported in the consolidated statement of activities at the end of each period. Purchases and sales of investments are reflected on a trade date basis. These short-term investments are readily available for sale to meet cash needs, if any, with gains and losses on sales, based on fair value at the time of sale, recorded in the consolidated statement of activities in the period in which the investments are sold. Interest, net of direct investment expenses, is recorded in the consolidated statement of activities when earned.

### **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 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, 2023 (With comparative information for September 30, 2022)

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

### **Trade Receivables**

The Organization records trade receivables at net realizable value by assessing the collectability of amounts due prior to the recognition of revenues and at the end of each period. Account balances 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 grantor for the 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, 2023 and 2022.

### **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 beyond the next 12 months 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 \$53,384 and \$109,593 as of September 30, 2023 and 2022, respectively. The allowance for doubtful accounts was \$50,000 as of September 30, 2023 and 2022.

### **Inventories**

Purchased food inventory is stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or net realizable value. Donated food inventory is valued at 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, 2023 (With comparative information for September 30, 2022)

## Property, Equipment, and Depreciation

Purchased land, buildings, building improvements, vehicles, and equipment are stated at cost. Donated land, buildings, building improvements, vehicles, and equipment are recorded at their 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. During 2023 and 2022, the Organization did not record any impairment for long-lived assets. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from 3-40 years.

## Leases

Effective October 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach. The Organization's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases in the consolidated statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight line basis as lease expense over the non-cancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of \$1,444,548.

The new standard provides several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification, and initial direct lease costs;
- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy to not separate lease and nonlease components for all its office equipment leases and Detroit Warehouse lease (see Note 13).
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes;
- The Organization elected to not apply the recognition requirements to leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures are contained in Note 13.

# **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

## **Deferred Revenue**

Deferred revenue includes support received from government agencies, as well as grants and contributions received that are refundable if not used and contain barriers or conditions that have not been met at year-end. There were \$2,905,036 and \$3,570,922 of conditional support, contributions, and grants received and included in deferred revenue at September 30, 2023 and 2022, respectively.

## **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 restrictions.

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

Revenues are reported as an increase in net assets without donor restrictions unless the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expiration of donor-imposed restrictions 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 in the consolidated statement of financial position as "Noncash food donations/distributions" which consists of donated food inventory held at year end and "Cash and other activities" which consists of all other net assets without donor-imposed restrictions.

## **Board Designated Net Assets**

The Organization's Board of Directors has the ability to designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. There are no board designated net assets at September 30, 2023 and 2022.

## **Contributions and Grants**

The Organization recognizes all unconditional contributions and grants as income in the period the unconditional contributions and grants are received. 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 restrictions on use of the support. 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 consolidated statement of activities as net assets released from restrictions.

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

## 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. Food purchases are typically nonrefundable. 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. The net realizable value of receivables from members are \$403,491 and \$335,954 as of September 30, 2023 and 2022, respectively, and are included in trade receivables, net in the consolidated statement of financial position.

## Contributed Nonfinancial Assets

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

	<u>2023</u>	<u>2022</u>
Billboard media advertising	\$ 56,000	\$ -
Event save-the-date cards and invitations	5,900	-
Camera equipment to record/stream program services	-	3,975
Professional services	-	5,320
Total	<u>\$ 61,900</u>	<u>\$ 9,295</u>

All contributed nonfinancial assets did not contain any donor-imposed restrictions and were utilized for the Organization's programs and supporting 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 billboard media advertising, event save-the-date cards and invitations, and camera equipment were valued at the current purchase price of the items 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 consisted of construction 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 \$824,119 and \$799,598 have not been recognized in the accompanying consolidated statement of activities for the years ended September 30, 2023 and 2022, respectively, as they do not meet the requirements for recognition.

# **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

## **Functional Allocation of Expenses**

The costs of providing program and supporting services have been reported on a functional basis in the consolidated statement of activities and functional expenses. Depreciation and occupancy expenses have been allocated between the various program 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.

## **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. Neither the Food Bank nor the Distribution Corporation have been classified as a private foundation. 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, may include certain income received from sources other than directly from grants and contributions. Any unrelated business taxable income is reported on the federal Form 990-T Exempt Organization Business Income Tax Return.

The Organization analyzes its income tax filing positions in the federal and state jurisdictions where it may be required to file income tax returns, as well as all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Organization records interest and penalties attributable to uncertain tax positions, and reflects any charges for such, to the extent they arise, as a component of its management and general expenses.

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, 2023 or 2022, 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. 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, 2022, from which the summarized information was derived.

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

## 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, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Short-term investments (which consist of US treasury bills, US treasury notes, US Government bonds, and certificates of deposit) and the 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.

**Short-term investments:** Fair value measurements are determined based upon quoted prices for identical instruments traded in active markets.

**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.

**Beneficial interest in charitable remainder unitrust:** Fair value measurements of this asset are determined by the underlying fair value of the 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 1.9 percent and 1.8 percent as of September 30, 2023 and 2022, respectively, and a discount rate of 3 percent as of September 30, 2023 and 2022.

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, 2023			
	Total	Level 1	Level 2	Level 3
Short-term investments	\$ 17,695,383	\$ 17,695,383	\$ -	\$ -
Beneficial interest in charitable remainder unitrust	1,072,564	-	-	1,072,564
Beneficial interest in funds held at the Foundation	1,762,493	-	-	1,762,493
Total	<u>\$ 20,530,440</u>	<u>\$ 17,695,383</u>	<u>\$ -</u>	<u>\$ 2,835,057</u>



## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

	<b>September 30, 2022</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Beneficial interest in charitable remainder unitrust	\$ 996,754	\$ -	\$ -	\$ 996,754
Beneficial interest in funds held at the Foundation	<u>1,678,292</u>	<u>-</u>	<u>-</u>	<u>1,678,292</u>
Total	<u>\$ 2,675,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,675,046</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>2023</u>	<u>2022</u>
Beginning of year	\$ 996,754	\$ 1,127,111
Net investment gain (loss)	<u>75,810</u>	<u>(130,357)</u>
End of year	<u>\$ 1,072,564</u>	<u>\$ 996,754</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>2023</u>	<u>2022</u>
Beginning of year	\$ 1,678,292	\$ 2,041,710
Fees paid	(9,170)	(8,962)
Investment income (loss)	175,695	(275,042)
Distributions	<u>(82,324)</u>	<u>(79,414)</u>
End of year	<u>\$ 1,762,493</u>	<u>\$ 1,678,292</u>

### 3. Promises to Give

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

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 1,259,762	\$ 1,272,833
Less: allowance for doubtful accounts	<u>(50,000)</u>	<u>(50,000)</u>
Total current promises to give, net of allowance	<u>1,209,762</u>	<u>1,222,833</u>
Receivable in one to five years	461,744	1,193,974
Less: Discount to present value	<u>(53,384)</u>	<u>(109,593)</u>
Total promises to give, non-current	<u>408,360</u>	<u>1,084,381</u>
Total promises to give, net	<u>\$ 1,618,122</u>	<u>\$ 2,307,214</u>

## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

### 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 expires March 31, 2024 with no optional renewal periods. The Organization had promises to give for the use of this facility as of September 30, 2023 and 2022 of \$140,913 and \$422,739, respectively. Rent expense for the use of this facility to be recognized during the year ending September 30, 2024 is \$140,913.

### 5. Property and Equipment

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,125,027	\$ 2,125,027
Building and building improvements	23,529,134	21,994,447
Warehouse equipment	2,510,968	2,412,204
Furniture and equipment	1,781,900	1,732,082
Vehicles	1,251,999	1,624,856
Construction in progress	<u>173,268</u>	<u>665,950</u>
Total property and equipment	31,372,296	30,554,566
Less accumulated depreciation	<u>(9,507,541)</u>	<u>(9,004,732)</u>
Net property and equipment	<u>\$ 21,864,755</u>	<u>\$ 21,549,834</u>

### 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 \$1,072,564 and \$996,754 at September 30, 2023 and 2022, respectively.

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

The Organization has transferred assets to the Foundation Endowment Fund (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 \$82,324 and \$79,414 during the years ended September 2023 and 2022, respectively. The Organization has recorded a beneficial interest in funds held by the Foundation totaling \$1,762,493 and \$1,678,292 at September 30, 2023 and 2022, respectively.

## **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

### Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

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 \$94,878 and \$89,711 during the years ended September 30, 2023 and 2022, 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 \$2,107,800 and \$1,993,950 at September 30, 2023 and 2022, respectively.

#### **8. 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 9. 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 9 (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 \$405,747 and \$483,402 as of September 30, 2023 and 2022, respectively.

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. 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).

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 the 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 bank accounts as part of the NMTC financing transaction.

#### **9. 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. The majority of the renovations on the building took place during fiscal 2021, but some continued and were completed in fiscal 2022. The purchase and renovations were financed partially by a construction note with a bank of up to \$9,862,500 collateralized by this warehouse facility and related equipment, as well as substantially all the general business assets of the Organization.

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

## Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

In December 2021, the construction note was converted to a term note with a bank in connection with the NMTC financing transaction (see Note 8), 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 Term SOFR Rate plus 1.5% per annum (interest rate of 6.83 percent and 4.10 percent as of September 30, 2023 and 2022, respectively). 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 note payable balance was \$1,179,093, less unamortized debt issuance costs of \$24,719, as of September 30, 2023, and \$2,262,823 less unamortized debt issuance costs of \$32,438 as of September 30, 2022. 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 timing of payments to be made. As of the date the consolidated financial statements were available to be issued (see Note 16), \$43,525 has been collected that has been/will be used to make principal payments on the term note during fiscal 2024. 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.

### 10. Line of Credit

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 Term SOFR Rate plus 1.5 percent per annum (interest rate of 6.83 percent and 4.10 percent as of September 30, 2023 and 2022, respectively), collateralized by substantially all general business assets of the Food Bank. The line of credit becomes due in December 2024. There were no outstanding borrowings on this line of credit as of September 30, 2023 and 2022.

### 11. 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. 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>2023</u>	<u>2022</u>
Donated	31,800,201	31,516,007
Purchased	<u>19,128,026</u>	<u>15,534,067</u>
Total	<u><u>50,928,227</u></u>	<u><u>47,050,074</u></u>

## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

### 12. 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, 2023 and 2022, there were no employer profit sharing contributions to the plan. However, for the years ended September 30, 2023 and 2022, employee contributions were matched 100% by the Organization up to \$1,000 at a cost of \$78,892 and \$75,496, respectively.

### 13. 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 (not renewed)

The Organization also leases food distribution vehicles, warehouse equipment, and office equipment that are used in its daily operations. The food distribution vehicle leases are subject to a semi-annual fixed lease rate adjustment based on changes in the Consumer Price Index, as well as contain variable lease payments based on miles driven and/or refrigerated unit hours ran. The Howell, MI building lease contains variable lease payments to cover maintenance, property taxes, and insurance for the leased space. Certain of the office equipment leases have maintenance contract costs included in the fixed lease payments.

#### Leases, Prior to October 1, 2022

Total lease expense for the year ended September 30, 2022 is comprised of the following:

Vehicles (in transportation)	\$ 391,744
Buildings and warehouse equipment (in rent)	207,190
Office equipment (in office supplies)	<u>44,996</u>
Total lease expense	<u>\$ 643,930</u>

In July 2022, the Organization leased its Pontiac warehouse facility to its largest partner agency 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. In July 2023, this lease was renewed for an additional 1-year term. The lessee is responsible for paying all ongoing operating costs for the facility, as well as 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. The lessee has 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.

## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

### Leases, October 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified, and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of September 30, 2023:

Operating lease right-of-use assets, net	<u>\$ 1,018,550</u>
Operating lease liabilities	
Current	\$ 329,986
Long-term	<u>693,674</u>
Total operating lease liabilities	<u>\$ 1,023,660</u>

Below is a summary of expenses incurred pertaining to leases during the year ended September 30, 2023:

Operating lease expense	\$ 479,872
Variable lease expense	<u>175,520</u>
Total operating lease expense	<u>\$ 655,392</u>

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 4.11%. As of September 30, 2023, the weighted average remaining lease term was 3.41 years.

## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

### Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after September 30, 2023:

Years ending September 30:	
2024	\$ 364,466
2025	307,012
2026	235,271
2027	167,570
2028	<u>21,096</u>
Total lease payments	1,095,415
Less present value discount	<u>(71,755)</u>
Total lease liabilities	1,023,660
Less current portion	<u>(329,986)</u>
Long term liabilities	<u>\$ 693,674</u>

The following table includes supplemental cash flow and non-cash information related to the leases for the year ended September 30, 2023:

Cash paid for amounts included in the measurements of lease liabilities:	
Operating cash outflows from operating leases	\$ 474,562
Operating lease right-of-use assets obtained in exchange for lease liabilities	\$ 1,444,548

In April 2023, the Organization leased a portion of its Detroit warehouse facility to Michigan Humane. The lease has an initial term of 4 ½ years with two (2) five-year renewal options. The lease is structured as a gross (full-service) lease with discounted monthly lease payments for the first 18 months. Thereafter, monthly lease payments approximate current market rate and increase by 3% annually. Michigan Humane is responsible for paying all repair costs for the leased space directly related to its occupancy over the life of the lease with the Organization being responsible for paying all structural repair/replacement costs for the leased space. Operating lease income was \$136,783 for the year ended September 30, 2023.

The table below summarizes the Organization's scheduled future minimum lease receipts for years ending after September 30, 2023:

2024	\$ 226,100
2025	288,610
2026	297,122
2027	<u>306,166</u>
Total lease receipts	<u>\$ 1,117,998</u>

The following includes supplemental cash flow information related to this lease for the year ended September 30, 2023:

Operating cash inflows from operating leases	<u>\$ 113,050</u>
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## Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

### 14. Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Program services	\$ 1,353,642	\$ 1,615,027
Beneficial interest in charitable remainder unitrust	1,072,564	996,754
Use of facility	140,913	422,739
Time restrictions	1,618,122	2,307,214
Beneficial Interest in funds held at the Foundation	<u>1,762,493</u>	<u>1,678,292</u>
Total	<u>\$ 5,947,734</u>	<u>\$ 7,020,026</u>

### 15. 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, debt repayments, and fixed asset additions not financed with debt are as follows:

	<u>2023</u>	<u>2022</u>
Total current assets, at year-end	\$ 31,294,504	\$ 30,036,461
Less non-financial assets:		
Promises to give for the use of facility	(140,913)	(281,826)
Food inventories	(3,242,352)	(1,750,375)
Prepaid expenses	<u>(403,784)</u>	<u>(304,144)</u>
Financial assets, at year-end	27,507,455	27,700,116
Less net assets with donor restrictions included in financial assets	<u>(2,563,406)</u>	<u>(2,837,860)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,944,049</u>	<u>\$ 24,862,256</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.

### 16. Subsequent Events

Management has evaluated subsequent events through February 15, 2024, the date which the consolidated financial statements were available to be issued.



## **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Notes to Consolidated Financial Statements

September 30, 2023 (With comparative information for September 30, 2022)

### **17. Future Accounting Pronouncements**

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). 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, 2023

	<b>Gleaners Community Food Bank of Southeastern Michigan</b>	<b>Gleaners Distribution Corporation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 6,976,107	\$ 581,981	\$ -	\$ 7,558,088
Short-term investments	17,695,383	-	-	17,695,383
Receivables:				
Trade receivables, net	500,038	-	-	500,038
Grants receivable, net	544,184	-	-	544,184
Promises to give, net of allowance	1,209,762	-	-	1,209,762
Promises to give for use of facility	140,913	-	-	140,913
Intercompany receivables	4,565	-	(4,565)	-
Intercompany operating lease receivable	-	72,318	(72,318)	-
Food Inventories:				
Donated Inventory	2,575,029	-	-	2,575,029
Purchased Inventory	667,323	-	-	667,323
Prepaid expenses	403,784	-	-	403,784
Total current assets	<u>30,717,088</u>	<u>654,299</u>	<u>(76,883)</u>	<u>31,294,504</u>
<b>Property and Equipment, Net</b>	<u>5,122,283</u>	<u>16,742,472</u>	<u>-</u>	<u>21,864,755</u>
<b>Other Assets</b>				
Promises to give, non-current net of discount	408,360	-	-	408,360
Note receivable, non-current	11,912,300	-	-	11,912,300
Operating lease right of use asset, net	1,018,550	-	-	1,018,550
Intercompany operating lease right of use asset, net	546,821	-	(546,821)	-
Beneficial interest in charitable remainder unitrust	1,072,564	-	-	1,072,564
Beneficial interest in funds held at the Community Foundation for Southeast Michigan	1,762,493	-	-	1,762,493
Total other assets	<u>16,721,088</u>	<u>-</u>	<u>(546,821)</u>	<u>16,174,267</u>
Total assets	<u>\$ 52,560,459</u>	<u>\$ 17,396,771</u>	<u>\$ (623,704)</u>	<u>\$ 69,333,526</u>
<b>Current Liabilities</b>				
Accounts payable	\$ 968,406	\$ -	\$ -	\$ 968,406
Intercompany payables	-	4,565	(4,565)	-
Accrued liabilities	635,604	51,075	-	686,679
Operating lease liability	329,986	-	-	329,986
Intercompany operating lease liability	108,832	-	(108,832)	-
Deferred revenue	2,905,036	-	-	2,905,036
Current maturities of notes payable	43,525	-	-	43,525
Total current liabilities	<u>4,991,389</u>	<u>55,640</u>	<u>(113,397)</u>	<u>4,933,632</u>
<b>Long-Term Liabilities</b>				
Operating lease liability, non-current	693,674	-	-	693,674
Intercompany lease liability, non-current	510,307	-	(510,307)	-
Notes payable, non-current, less unamortized debt issuance costs	1,110,849	16,169,253	-	17,280,102
Total liabilities	<u>7,306,219</u>	<u>16,224,893</u>	<u>(623,704)</u>	<u>22,907,408</u>
<b>Net Assets</b>				
Without donor restrictions:				
Cash and other activities	36,731,477	1,171,878	-	37,903,355
Noncash food donations/distributions	2,575,029	-	-	2,575,029
Total without donor restrictions	<u>39,306,506</u>	<u>1,171,878</u>	<u>-</u>	<u>40,478,384</u>
With donor restrictions	5,947,734	-	-	5,947,734
Total net assets	<u>45,254,240</u>	<u>1,171,878</u>	<u>-</u>	<u>46,426,118</u>
Total liabilities and net assets	<u>\$ 52,560,459</u>	<u>\$ 17,396,771</u>	<u>\$ (623,704)</u>	<u>\$ 69,333,526</u>

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidating Statement of Activities

Year Ended September 30, 2023

	<b>Gleaners Community Food Bank of Southeastern Michigan</b>	<b>Gleaners Distribution Corporation</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenue</b>				
Donated food received	\$ 62,924,023	\$ -	\$ -	\$ 62,924,023
Contributions of cash and other financial assets	19,803,166	-	-	19,803,166
Contributions of nonfinancial assets	61,900	-	-	61,900
Special events, net of direct expenses	233,932	-	-	233,932
Grants and indirect support	2,910,899	-	-	2,910,899
Purchased food revenue	6,424,120	-	-	6,424,120
Agency shared maintenance fee	794,357	-	-	794,357
Change in beneficial interest in charitable remainder unitrust	75,810	-	-	75,810
Interest income	967,768	-	-	967,768
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	84,201	-	-	84,201
Other	523,355	189,024	(203,218)	509,161
Total revenue	<u>94,803,531</u>	<u>189,024</u>	<u>(203,218)</u>	<u>94,789,337</u>
<b>Expenses</b>				
Program services	83,664,127	784,978	(203,218)	84,245,887
Fundraising	4,651,967	-	-	4,651,967
Management and general	3,065,938	-	-	3,065,938
Total expenses	<u>91,382,032</u>	<u>784,978</u>	<u>(203,218)</u>	<u>91,963,792</u>
Change in net assets from operations	3,421,499	(595,954)	-	2,825,545
<b>Other Changes in Net Assets</b>				
Contributions between affiliates for property and equipment purchases	(1,047,307)	1,047,307	-	-
Change in net assets	2,374,192	451,353	-	2,825,545
<b>Net Assets, Beginning</b>	<u>42,880,048</u>	<u>720,525</u>	<u>-</u>	<u>43,600,573</u>
<b>Net Assets, Ending</b>	<u>\$ 45,254,240</u>	<u>\$ 1,171,878</u>	<u>\$ -</u>	<u>\$ 46,426,118</u>

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Consolidating Statement of Cash Flows  
Year Ended September 30, 2023

	Gleaners Community Food Bank of Southeastern Michigan	Gleaners Distribution Corporation	Eliminations	Consolidated
<b>Cash Flows from Operating Activities</b>				
Change in net assets	\$ 2,374,192	\$ 451,353	\$ -	\$ 2,825,545
Adjustments to reconcile change in net assets to net cash flows from operating activities:				
Depreciation	360,406	488,707	-	849,113
Amortization of debt issuance costs	7,719	77,655	-	85,374
Non-cash rent expense for use of facility	281,826	-	-	281,826
Bad debt expense	25,000	-	-	25,000
Change in donated food inventories	(1,291,282)	-	-	(1,291,282)
Change in beneficial interest in funds held at the Community Foundation for Southeast Michigan	(84,201)	-	-	(84,201)
Change in beneficial interest in charitable remainder unitrust	(75,810)	-	-	(75,810)
Accrued investment interest and unrealized investment gain	(151,887)	-	-	(151,887)
(Gain) loss on sale of property and equipment	(40,480)	14,194	-	(26,286)
Lease costs	5,110	-	-	5,110
Change in assets and liabilities that provided (used) cash:				
Trade receivables, grants receivable and promises to give	547,733	-	-	547,733
Intercompany receivables	(4,565)	-	4,565	-
Intercompany operating lease receivables	-	(72,318)	72,318	-
Purchased food inventory	(200,695)	-	-	(200,695)
Prepaid expenses	(99,640)	-	-	(99,640)
Intercompany operating lease right of use asset, net	144,618	-	(144,618)	-
Accounts payable	161,169	-	-	161,169
Intercompany payables	-	4,565	(4,565)	-
Accrued liabilities	150,620	(4,161)	-	146,459
Deferred revenue	(665,886)	-	-	(665,886)
Intercompany operating lease liability	(72,300)	-	72,300	-
Net cash flows from operating activities	<u>1,371,647</u>	<u>959,995</u>	<u>-</u>	<u>2,331,642</u>
<b>Cash Flows from Investing Activities</b>				
Purchases of property and equipment	(725,441)	(1,047,307)	-	(1,772,748)
Proceeds from sale of property and equipment	60,250	16,750	-	77,000
Purchases of short-term investments	(22,542,490)	-	-	(22,542,490)
Sales of short-term investments	4,998,994	-	-	4,998,994
Net cash flows from investing activities	<u>(18,208,687)</u>	<u>(1,030,557)</u>	<u>-</u>	<u>(19,239,244)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment on notes payable	(1,083,730)	-	-	(1,083,730)
Net change in cash and cash equivalents	(17,920,770)	(70,562)	-	(17,991,332)
<b>Cash and Cash Equivalents, Beginning</b>	<u>24,896,877</u>	<u>652,543</u>	<u>-</u>	<u>25,549,420</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 6,976,107</u>	<u>\$ 581,981</u>	<u>\$ -</u>	<u>\$ 7,558,088</u>
<b>Supplemental Cash Flow Disclosures</b>				
Interest paid on notes payable	\$ 98,994	\$ 212,912	\$ -	\$ 311,906

## **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Schedule of Operating Highlights  
Years Ended September 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Pounds of food distributed (A)	50,928,227	47,050,074	71,415,542	63,751,696	45,694,367
Pounds of donated food in ending inventory	1,334,212	668,618	2,612,937	2,346,128	1,688,785
Weighted average cost per pound	\$ 1.93	\$ 1.92	\$ 1.79	\$ 1.74	\$ 1.62
Pounds of purchased food in ending inventory	725,442	497,178	714,422	1,223,415	430,734
Cost per pound	\$ 0.92	\$ 0.94	\$ 0.79	\$ 0.74	\$ 0.62
Inventory turnover	28.6	19.3	18.5	21.4	25.2

(A) See Note 11.

**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, 2023, 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 15, 2024.

**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 consolidated 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 consolidated 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 consolidated 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 15, 2024

**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 and Affiliate

**Report on Compliance for Each Major Federal Program**

***Opinion on Each 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 each of the Organization's major federal programs for the year ended September 30, 2023. The Organization's major federal programs are 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 each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each 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 each 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 each 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 15, 2024

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S Department of Agriculture</b>			
<b>Food Distribution Cluster</b>			
Passed through the Food Bank Council of Michigan			
Emergency Food Assistance (CFSP Administrative Costs)	10.565	Not available	\$ 104,032
Emergency Food Assistance (Administrative Costs)	10.568	Not available	398,820
Emergency Food Assistance (COSUP Food Commodities)	10.569	Not available	11,675,325
Emergency Food Assistance (TEFAP-CCC)	10.568	Not available	236,257
Emergency Food Assistance (Farm to Food Bank)	10.568	Not available	35,274
Emergency Food Assistance (Reach and Resiliency)	10.568	Not available	<u>47,883</u>
<b>Total Food Distribution Cluster</b>			<u>12,497,591</u>
<b>Child Nutrition Cluster</b>			
Passed through the Michigan Department of Education			
Summer Food Service Program for Children	10.559	82SF13000	<u>238,876</u>
<b>Total Child Nutrition Cluster</b>			<u>238,876</u>
<b>Supplemental Nutrition Assistance Program Cluster</b>			
Passed through the Food Bank Council of Michigan			
SNAP - Outreach	10.561	Not Available	10,126
Passed through the Michigan Fitness Foundation			
Cooking Matters - Nutrition Program	10.561	FY17 GCFB	<u>456,845</u>
<b>Total Supplemental Nutrition Assistance Program Cluster</b>			<u>466,971</u>
<b>Total U.S Department of Agriculture</b>			<u>\$ 13,203,438</u>

See accompanying notes to the schedule of expenditures of federal awards

# Gleaners Community Food Bank of Southeastern Michigan and Affiliate

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Homeland Security</b>			
Passed through the United Way			
Phase ARPAN			
Emergency Food and Shelter National Board Program - ARPAN Macomb County	97.024	474600-020	\$ 213,185
Emergency Food and Shelter National Board Program - ARPAN Oakland County	97.024	478200-030	158,782
Phase 40			
Emergency Food and Shelter National Board Program - Out- Wayne County	97.024	483600-047	129,206
Emergency Food and Shelter National Board Program - Oakland County	97.024	478200-030	105,646
Emergency Food and Shelter National Board Program - Detroit	97.024	484400-226	143,582
Emergency Food and Shelter National Board Program - Macomb County	97.024	474600-020	<u>45,158</u>
<b>Total U.S. Department of Homeland Security</b>			<u>795,559</u>
<b>Total Federal Awards</b>			<u>\$ 13,998,997</u>

See accompanying notes to the schedule of expenditures of federal awards

# **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2023

## **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award 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, 2023. The information in this schedule is presented in accordance with the 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). 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, 2023

## Section I: Summary of Auditors' Results

### Financial Statements

Type of report the auditor issued on whether the consolidated 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? \_\_\_\_\_ yes  X  none reported

Noncompliance material to consolidated 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? \_\_\_\_\_ yes  X  none reported

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

Assistance Listing Number(s)

10.565, 10.568, and 10.569

Name of Federal Program or Cluster

Food Distribution Cluster

97.024

Emergency Food and Shelter National Board Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

X  yes \_\_\_\_\_ no

## Section II: Financial Statement Findings

**There were no findings.**

## Section III: Federal Award Findings and Questioned Costs

**There were no findings or questioned costs.**

## **Gleaners Community Food Bank of Southeastern Michigan and Affiliate**

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Summary Schedule of Prior Audit Findings

Year Ended September 30, 2023

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