



Promoting a Hunger-Free Community Since 1982

KALAMAZOO LOAVES & FISHES, INC.

SINGLE AUDIT REPORT

For the Year Ended June 30, 2022

DRAFT

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kalamazoo Loaves & Fishes, Inc.

We have audited the accompanying schedule of expenditures of federal awards of Kalamazoo Loaves & Fishes, Inc. (the Organization) for the year ended June 30, 2022, and the related notes (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

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

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).¹ Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for Kalamazoo Loaves & Fishes, Inc. for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Seber Tans, PLC
Kalamazoo, Michigan
October 18, 2023

DRAFT

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Kalamazoo Loaves & Fishes, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kalamazoo Loaves & Fishes, Inc.'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 June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's 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.

Auditor's 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 generally accepted auditing standards, *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 judgement made by a reasonable user of the report on compliance about Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement 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 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

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.

Seber Tans, PLC
Kalamazoo, Michigan
October 18, 2023

Kalamazoo Loaves & Fishes, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor / Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture		
Food Distribution Cluster:		
2021-2022 Commodity Supplemental Food Program (Administrative Costs)		
Commodity Supplemental Food Program	10.565	\$ 49,289
Commodity Supplemental Food Program (Covid Supplemental)	10.565	2,032
Total 2021-2022 Commodity Supplemental Food Program (Administrative Costs)		<u>51,321</u>
2021-2022 Emergency Food Assistance Program (Administrative Costs)		
The Emergency Food Assistance Program	10.568	160,581
The Emergency Food Assistance Program (Trade Mitigation)	10.178	15,092
The Emergency Food Assistance Program (Covid Supplemental)	10.568	53,330
Total 2021-2022 Emergency Food Assistance Program (Administrative Costs)		<u>229,003</u>
2021-2022 Commodity Supplemental Food Program (Food Commodities)		
Commodity Supplemental Food Program	10.565	246,349
2021-2022 Commodity Supplemental Food Program (Food Commodities)		<u>246,349</u>
2021-2022 Emergency Food Assistance Program (Food Commodities)		
The Emergency Food Assistance Program	10.569	42,897
The Emergency Food Assistance Program (Bonus Foods)	10.569	205,003
The Emergency Food Assistance Program (Build Back Better)	10.569	317,349
Total 2021-2022 Emergency Food Assistance Program (Food Commodities)		<u>565,249</u>
2020-2021 Emergency Food Assistance Program (Food Commodities)		
The Emergency Food Assistance Program	10.569	63,263
The Emergency Food Assistance Program (Bonus Foods)	10.569	690,830
The Emergency Food Assistance Program (Covid Supplemental)	10.569	323,871
Total 2020-2021 Emergency Food Assistance Program (Food Commodities)		<u>1,077,964</u>
Total Food Distribution Cluster		<u>2,169,886</u>
Total U.S. Department of Agriculture		<u>2,169,886</u>
U.S. Department of Homeland Security		
Emergency Food and Shelter Program (Phase 39)	97.024	5,673
Emergency Food and Shelter Program (ARPAR)	97.024	21,964
Total U.S. Department of Homeland Security		<u>27,637</u>
Total Expenditures of Federal Awards		<u>\$ 2,197,523</u>

See Independent Auditor's Report and the Notes to the Schedule of Expenditures of Federal Awards.

Kalamazoo Loaves & Fishes, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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.

NOTE B – 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 the 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.

Pass-through entity identifying numbers are presented when applicable and where available.

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

NOTE C – Food Commodities

Nonmonetary assistance is reported based on the commodities received and disbursed. The value per pound is established by guidelines published by Feeding America, a nationally recognized food donation charity.

NOTE D – Subrecipients

No amounts were provided to subrecipients.

Kalamazoo Loaves & Fishes, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? **No**

Significant deficiency identified that is not considered to be a material weakness?

No

Noncompliance material to financial statements noted? **No**

Federal Awards

Type of auditor's report issued on compliance for major programs: **Unmodified**

Internal control over major programs:

Material weakness identified? **Yes**

Significant deficiency identified that is not considered to be a material weakness? **No**

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 500.516(a)? **Yes**

Major programs:

FAL Number(s)

10.565, 10.568, 10.569

Name of Federal Program or Cluster

Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Kalamazoo Loaves & Fishes, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Criteria: The Organization was required to complete and file an audit report on compliance for each major federal awards program and on internal control over compliance required by the uniform guidance (hereafter referred to as the “Single Audit”) for the years ended June 30, 2022, 2021, and 2020 within nine months of the year-end date.

Condition: A Single Audit was not timely completed for the fiscal reporting years noted above.

Effect: The Organization was not in compliance with reporting requirements in relation to the filing of a Single Audit for the fiscal reporting years noted above.

Cause: A Single Audit was not timely completed for the fiscal reporting years noted above.

Recommendation: We recommend that the Organization implement an internal review process wherein management may timely identify future periods in which a Single Audit may be required.

Corrective Action Plan: The Organization has established internal guidelines for identifying future Single Audit requirements and for contracting with an independent audit firm when required. Additionally, as evidenced by the filing of this report, the Organization has hired an independent audit firm to perform the audit for each of the years ended June 30, 2022, 2021, and 2020.