



Promoting a Hunger-Free Community Since 1982

KALAMAZOO LOAVES & FISHES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2023

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Kalamazoo Loaves & Fishes, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalamazoo Loaves & Fishes, Inc. as of June 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kalamazoo Loaves & Fishes, Inc. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Kalamazoo Loaves & Fishes, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kalamazoo Loaves & Fishes, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of Kalamazoo Loaves & Fishes, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Kalamazoo Loaves & Fishes, Inc.'s internal control over financial reporting and compliance.



Seber Tans, PLC
Kalamazoo, Michigan
November 15, 2023

Kalamazoo Loaves & Fishes, Inc.
Statement of Financial Position
June 30, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 744,093
Certificates of deposit	508,728
Grants and pledges receivable	50,000
Inventory	506,872
Prepaid expenses and other current assets	101,665
Total Current Assets	<u>1,911,358</u>
Property and Equipment	
Land and improvements	455,617
Building and improvements	2,461,769
Equipment, furniture, and fixtures	1,210,239
Vehicles	471,892
Construction in progress	8,877
Total Property and Equipment	<u>4,608,394</u>
Less: Accumulated depreciation	<u>(1,784,493)</u>
Net Property and Equipment	<u>2,823,901</u>
Other Assets	
Grants and pledges receivable, net of current portion	50,000
Investments	2,506,076
Total Other Assets	<u>2,556,076</u>
Total Assets	<u>\$ 7,291,335</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 41,815
Accrued payroll and related liabilities	48,556
Total Current Liabilities	<u>90,371</u>
Net Assets	
Net assets without donor restrictions:	
Undesignated	4,549,571
Board-designated	2,506,076
Net assets with donor restrictions	145,317
Total Net Assets	<u>7,200,964</u>
Total Liabilities and Net Assets	<u>\$ 7,291,335</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Kalamazoo Loaves & Fishes, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenue			
Food products received by:			
Governmental grants	\$ 2,354,790	\$ -	\$ 2,354,790
In-kind contributions	822,146	-	822,146
Other revenues:			
Contributions	3,241,630	-	3,241,630
Other in-kind contributions	2,406	-	2,406
Grants	564,849	200,000	764,849
Bequests	79,505	-	79,505
United Way	5,029	-	5,029
Special events	64,238	-	64,238
Investment income	61,412	-	61,412
Market valuation changes in investments	173,240	-	173,240
Other income	34,991	-	34,991
Total Support and Other Revenue	<u>7,404,236</u>	<u>200,000</u>	<u>7,604,236</u>
Net assets released from restrictions	<u>164,683</u>	<u>(164,683)</u>	<u>-</u>
Total Support, Other Revenue, and Releases of Restriction	<u>7,568,919</u>	<u>35,317</u>	<u>7,604,236</u>
Expenses			
Program services	6,516,835	-	6,516,835
Support services:			
Management and general	437,037	-	437,037
Fundraising	295,211	-	295,211
Total Expenses	<u>7,249,083</u>	<u>-</u>	<u>7,249,083</u>
Change in Net Assets	319,836	35,317	355,153
Net Assets at Beginning of Year	<u>6,735,811</u>	<u>110,000</u>	<u>6,845,811</u>
Net Assets at End of Year	<u>\$ 7,055,647</u>	<u>\$ 145,317</u>	<u>\$ 7,200,964</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Kalamazoo Loaves & Fishes, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Accounting and audit	\$ -	\$ 30,111	\$ -	\$ 30,111
Bank and investment fees	11	19,337	13,297	32,645
Compensation and fringes	882,983	267,302	137,942	1,288,227
Consultants and contractors	74,488	41,237	5,065	120,790
Cost of food distributed:				
Direct purchases	1,738,624	-	-	1,738,624
In-kind contributions and grants	3,274,013	-	-	3,274,013
Depreciation	180,362	10,278	3,498	194,138
Insurance	11,241	11,565	-	22,806
Licenses and dues	836	3,157	1,080	5,073
Marketing	214	8,359	462	9,035
Payroll taxes	54,812	14,784	9,272	78,868
Postage	-	1,629	15,602	17,231
Printing	69	2,252	33,577	35,898
Rent and utilities	55,518	4,687	2,688	62,893
Repairs and maintenance	63,013	3,670	2,192	68,875
Software licensing	9,038	1,720	39,573	50,331
Staff development	5,762	3,172	6,479	15,413
Supplies	85,690	10,528	22,299	118,517
Telephone	10,964	-	-	10,964
Transportation	66,933	209	1,717	68,859
Volunteer support	2,264	3,040	468	5,772
Total Expenses	<u>\$ 6,516,835</u>	<u>\$ 437,037</u>	<u>\$ 295,211</u>	<u>\$ 7,249,083</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

Kalamazoo Loaves & Fishes, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 355,153
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation expense	194,138
Gain on sale of property and equipment	(21,121)
Contributions of stock	(634,228)
Unrealized gains on investments held	(167,064)
In-kind food revenues and expenses:	
Governmental grant revenue	(2,354,790)
Distribution of governmental grants	2,434,678
Contribution revenue	(822,146)
Distribution of contributed food	839,335
Changes in assets and liabilities which impacted cash and cash equivalents:	
Certificates of deposit	(356,478)
Grants and pledges receivable	95,199
Inventory	121,882
Prepaid expenses and other current assets	953
Accounts payable	(14,698)
Accrued payroll and related liabilities	2,140
Net Cash and Cash Equivalents Used in Operating Activities	<u>(327,047)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of property and equipment	(114,563)
Proceeds from sale of property and equipment	35,000
Proceeds from sale of investments	652,575
Purchase of investments	(122,676)
Net Cash and Cash Equivalents Provided by Investing Activities	<u>450,336</u>

Net Change in Cash and Cash Equivalents **123,289**

Cash and Cash Equivalents at Beginning of Year 620,804

Cash and Cash Equivalents at End of Year **\$ 744,093**

The Accompanying Notes are an Integral Part of These Financial Statements.

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE A – Summary of Significant Accounting Policies

Organization Purpose

Kalamazoo Loaves & Fishes, Inc. (the “Organization”) is a not-for-profit organization whose mission is to feed hungry people and engage our community in the fight to end hunger. Revenues are derived principally from monetary contributions and food donations. The following are descriptions of the Organization’s six programs:

Grocery Pantry Program - Through a network of pantries and home deliveries all over Kalamazoo County and surrounding communities, non-perishable and fresh food items are provided to thousands of individuals each year.

Weekend Food Packs - Child-friendly food packs are provided to students at various local public schools in order to help bridge the weekend food gap.

Commodity Supplemental Food Program – Hundreds of senior citizens receive supplemental groceries each month. Food is directly distributed to local housing developments, social service organizations, and community centers.

Agency Meal Program - Food is provided to partner agencies who provide hot, prepared meals and/or pantry service to their clients.

Mobile Food Initiative - Supplemental grocery assistance is provided throughout community-wide locations each month to thousands of recipients each year.

Targeted Outreach - This program is designed to support individuals who are unable to secure food assistance from us in traditional ways for a variety of reasons. Food product and delivery methods are specific to the population we are trying to support (e.g. homeless encampments) and may be offered in partnership with another organization in the community (e.g. emergency packs for Kalamazoo Department of Public Safety officers to distribute).

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization records donor-restricted cash contributions that are received and expended in the same year as revenue without donor restrictions.

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE A – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash is defined as cash in checking, savings, and money market accounts, and investments with an initial maturity of less than three months.

The Organization has accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash held by the Organization in bank accounts may at times exceed the FDIC coverage limit. The amount in excess of FDIC limits approximated \$474,000 at June 30, 2023.

Grants and Pledges Receivable

Grants and pledges receivable are regularly assessed for collectability on a case-by-case basis. If amounts are determined to be uncollectible, they are charged against operations at that time. The Organization considers all receivables to be fully collectible as of June 30, 2023; accordingly, no allowance for uncollectible accounts has been recorded. Additionally, no amounts were written off as bad debt expense during 2023.

Inventory

Inventory of purchased food is stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out (FIFO) basis. Food purchased by the Organization is recorded at cost. Donated food inventory is valued annually at the posted Feeding America cost standard (an effective valuation of \$1.92 per pound as of and for the year ended June 30, 2023).

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,500. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over their useful lives which range from three to forty years.

Contributions

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE A – Summary of Significant Accounting Policies (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated professional services. The Organization pays for most services requiring specific expertise. However, volunteers donate many hours of services to the operation of the Organization including organizational mailings, packing of groceries, and other miscellaneous tasks.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as calculated by either employee time and effort or by pounds of food distributed. The expenses that are allocated by time and effort include compensation and benefits, contracted services, and office-related expenses such as supplies, subscriptions, and travel. The expenses that are allocated by pounds of food distributed include program supplies, freight, and warehouse-related expenses such as depreciation, facilities costs, and repairs and maintenance. Utilities are allocated using the square footage of the warehouse and office. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

Income Taxes

The Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Commitments and Contingencies

Grants may require the fulfillment of certain conditions set forth in the agreement. Failure to fulfill the conditions may result in the return of the funds to grantor. Although this is a possibility, management considers the possibility remote, since by accepting the grants, it has accommodated the objectives of the Organization to the provisions of the grants.

The Organization has participated in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement that may arise as the result of these audits would not be material.

Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and report support, revenue and expenses. Actual results could differ from those estimates.

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE B – Liquidity and Availability

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following as of June 30, 2023:

Cash and cash equivalents	\$	744,093
Certificates of deposit		508,728
Grants and pledges receivable		50,000
Total available assets		<u>1,302,821</u>
Less: Net assets with donor restrictions		<u>(145,317)</u>
Total assets available for operations	\$	<u>1,157,504</u>

The Organization receives significant unrestricted contributions and restricted grants each year from donors, which are central to meet the annual cash needs for general expenditures. The Organization manages its liquidity and reserves in order to operate within a prudent range of financial soundness and stability and to fund near term and long-term needs utilizing budgets and monthly monitoring.

While management realizes there could be unanticipated liquidity needs, they believe that the financial assets in the table above are sufficient to meet operating needs within a minimum of one year of the statement of financial position date. Additionally, the Organization has access to a unsecured line of credit agreement with a bank (see Note E) which could be used to meet liquidity needs if necessary.

NOTE C – Inventory

Inventories at June 30, 2023 include the following:

Purchased inventory	\$	155,427
In-kind contributions		205,972
Received from USDA		145,473
Balance at December 31	\$	<u>506,872</u>

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE D – Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In instances whereby inputs used to measure fair value fall into different levels of the hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Fair values determined by Level 3 inputs use other inputs that are not observable due to little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques which take into account the characteristic of the asset or liability.

The Organization's policy is to recognize transfers amongst the different levels of the fair value hierarchy as of the end of the reporting period. There were no transfers amongst the fair value classifications during 2023.

The following table summarizes the fair value of the Organization's investments by the aforementioned valuation categories at June 30, 2023:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Investments at Fair Value:				
Money market funds	\$ 134,891	\$ 134,891	\$ -	\$ -
Mutual funds	361,017	361,017	-	-
Exchange traded funds	848,141	848,141	-	-
Stocks, options, and ETF's	222,726	222,726	-	-
U.S. Government bonds	482,394	-	482,394	-
Corporate bonds	456,907	-	456,907	-
Total investments at fair value	<u>\$ 2,506,076</u>	<u>\$ 1,566,775</u>	<u>\$ 939,301</u>	<u>\$ -</u>

Kalamazoo Loaves & Fishes, Inc.
Notes to Financial Statements
For the Year Ended June 30, 2023

NOTE E – Line of Credit

The Organization has a \$100,000 unsecured line of credit agreement with a bank, under which borrowings bear interest at the bank's prime rate plus 0.25 percent (an effective rate of 8.50 percent as of June 30, 2023). As of June 30, 2023, there were no outstanding borrowings on the line of credit.

NOTE F – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30, 2023:

Time restricted	\$	130,000
Staff wellness program		<u>15,317</u>
Total Net Assets With Donor Restrictions	\$	<u>145,317</u>

NOTE G – Retirement Plan

The Organization has a defined contribution 403(b) plan covering full-time employees over age 21 who have attained 1,000 hours of service within a twelve-month period. Contributions are made by the Organization at 5 percent of gross salaries. For the year ended June 30, 2023, the Organization contribution to all participating employees of 5 percent of each employee's gross annual pay. Total employer contributions approximated \$43,900 for the year ended June 30, 2023, respectively.

NOTE H – Subsequent Events

Management has evaluated subsequent events through November 15, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Kalamazoo Loaves & Fishes, Inc.
Schedule of Program Service Expenses
For the Year Ended June 30, 2023

	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program	Mobile Food Initiative	Targeted Outreach	Total Program Services
Bank and investment fees	\$ 8	\$ -	\$ 1	\$ 1	\$ 1	\$ -	\$ 11
Compensation and fringes	628,716	17,702	47,767	97,319	68,511	22,968	882,983
Consultants and contractors	42,342	1,426	15,514	7,838	5,518	1,850	74,488
Cost of food distributed:							
Direct purchases	1,250,859	113,874	(62)	220,699	57,399	95,855	1,738,624
In-kind contributions and grants	2,126,122	-	307,337	405,337	383,323	51,894	3,274,013
Depreciation	130,048	3,500	9,452	19,259	13,554	4,549	180,362
Insurance	7,574	255	689	1,404	988	331	11,241
Licenses and dues	563	19	51	104	74	25	836
Marketing	-	-	-	-	-	214	214
Payroll taxes	39,075	1,096	2,956	6,023	4,240	1,422	54,812
Printing	69	-	-	-	-	-	69
Rent and utilities	41,453	979	2,642	5,384	3,789	1,271	55,518
Repairs and maintenance	45,169	1,242	3,352	6,830	4,808	1,612	63,013
Software licensing	7,228	126	340	693	488	163	9,038
Staff development	3,881	131	353	720	507	170	5,762
Supplies	64,921	874	6,855	3,085	2,469	7,486	85,690
Telephone	7,915	210	566	1,154	847	272	10,964
Transportation	51,553	1,061	2,864	5,835	4,122	1,498	66,933
Volunteer support	1,526	51	139	283	199	66	2,264
Total Expenses	\$ 4,449,022	\$ 142,546	\$ 400,816	\$ 781,968	\$ 550,837	\$ 191,646	\$ 6,516,835

The Accompanying Notes are an Integral Part of These Financial Statements.

SINGLE AUDIT REPORT

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kalamazoo Loaves & Fishes, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Seber Tans, PLC
Kalamazoo, Michigan
November 15, 2023

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, 2023. 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 each of its major federal programs for the year ended June 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; 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.

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

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

Seber Tans, PLC
Kalamazoo, Michigan
November 15, 2023

Kalamazoo Loaves & Fishes, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor / Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Agriculture		
Food Distribution Cluster:		
2022-2023 Commodity Supplemental Food Program (Administrative Costs)		
Commodity Supplemental Food Program	10.565	\$ 49,683
Total 2022-2023 Commodity Supplemental Food Program (Administrative Costs)		<u>49,683</u>
2022-2023 Commodity Supplemental Food Program (Food Commodities)		
Commodity Supplemental Food Program	10.565	300,540
Total 2022-2023 Commodity Supplemental Food Program (Food Commodities)		<u>300,540</u>
2022-2023 Emergency Food Assistance Program (Administrative Costs)		
The Emergency Food Assistance Program	10.568	52,854
The Emergency Food Assistance Program (Build Back Better Act)	10.568	67,563
The Emergency Food Assistance Program (Reach and Resiliency Grant Initiative)	10.568	29,393
Total 2022-2023 Emergency Food Assistance Program (Administrative Costs)		<u>149,810</u>
2021-2022 Emergency Food Assistance Program (Food Commodities)		
The Emergency Food Assistance Program	10.569	113,270
The Emergency Food Assistance Program (Bonus Foods)	10.569	629,334
The Emergency Food Assistance Program (Build Back Better Act)	10.569	318,672
Total 2021-2022 Emergency Food Assistance Program (Food Commodities)		<u>1,061,276</u>
2022-2023 Emergency Food Assistance Program (Food Commodities)		
The Emergency Food Assistance Program	10.569	53,401
The Emergency Food Assistance Program (Bonus Foods)	10.569	325,237
The Emergency Food Assistance Program (Commodity Credit Corporation)	10.569	344,819
Total 2022-2023 Emergency Food Assistance Program (Food Commodities)		<u>723,457</u>
Total Food Distribution Cluster		<u>2,284,766</u>
Total U.S. Department of Agriculture		<u>2,284,766</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>\$ 2,312,403</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, 2023

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, 2023. 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, 2023**

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? No

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)? No

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, 2023

SECTION II – CURRENT YEAR FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – CURRENT YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Original Finding Description: The Organization is 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”) within nine months of the fiscal year-end date. A Single Audit was not timely completed for the fiscal reporting years ended June 30, 2022, 2021, and 2020.

Status: The Organization hired an independent audit firm to perform the Single Audit for each of the years ended June 30, 2022, 2021, and 2020, who have issued reports dated November 15, 2023.

Planned Corrective Action: Fully corrected, no further action is required.