



*Promoting a Hunger-Free Community Since 1982*

## Financial Statements and Supplementary Information

### **Kalamazoo Loaves & Fishes, Inc.**

*Year ended June 30, 2019*



**JANSEN VALK THOMPSON REAHM PC**  
*Certified Public Accountants and Consultants*

# Kalamazoo Loaves & Fishes, Inc.

Year ended June 30, 2019

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## Report of Independent Auditors

Board of Directors  
Kalamazoo Loaves & Fishes, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kalamazoo Loaves & Fishes, Inc., which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalamazoo Loaves & Fishes, Inc., as of June 30, 2019, 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.

## **Adoption of New Accounting Standard**

As described in Note A to the financial statements, Kalamazoo Loaves & Fishes, Inc. adopted the provisions of Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of July 1, 2018, applied retrospectively to all years presented, except for the liquidity disclosure, which is reported prospectively, as allowed by the ASU. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information on pages 19 and 20 was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements and 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 on pages 19 and 20 are fairly stated in all material respects in relation to the financial statements taken as a whole. The information on pages 21 and 22, which is of a nonaccounting nature, has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Janice Valle Thompson, CPA, Reahm PC*

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Financial Position (with Comparative Totals for 2018)

	June 30	
	2019	2018
<b>Assets</b>		
Cash	\$ 522,694	\$ 577,826
Receivables:		
Grants and contributions	244,048	-
Other	1,789	1,019
Food inventory	415,735	383,725
Prepaid expenses	68,981	63,978
Investments	1,548,911	1,483,603
Board designated cash—building expansion	129,600	-
Assets restricted for investment in property and equipment:		
Cash	277,075	250,153
Contribution receivable	-	75,000
Property and equipment, less accumulated depreciation	2,325,947	2,455,949
Construction in progress—building expansion	417,509	-
Total assets	\$ 5,952,289	\$ 5,291,253
<b>Liabilities</b>		
Accounts payable	\$ 72,784	\$ 37,690
Accrued expenses	41,358	55,603
Total liabilities	114,142	93,293
<b>Net Assets</b>		
Net assets without donor restrictions:		
Undesignated	3,217,617	3,237,364
Board designated:		
Operating reserve	1,448,612	1,482,579
Building expansion	129,600	-
Total board designated	1,578,212	1,482,579
Total net assets without donor restrictions	4,795,829	4,719,943
Net assets with donor restrictions:		
Time-restriction—future periods	394,048	152,864
Purpose restriction—building expansion	648,270	325,153
Total net assets with donor restrictions	1,042,318	478,017
Total net assets	5,838,147	5,197,960
Total liabilities and net assets	\$ 5,952,289	\$ 5,291,253

*See accompanying notes to financial statements.*

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Activities (with Comparative Totals for 2018)

	Year ended June 30			2018
	2019		Total	
	Without Donor Restrictions	With Donor Restrictions		
<b>Support and revenue:</b>				
Contributions—individuals and groups	\$ 1,369,675	\$ 45,226	\$ 1,414,901	\$ 1,361,099
Bequests	51,298	-	51,298	163,442
Special events	43,815	-	43,815	64,444
United Way designations received	10,036	-	10,036	9,085
Grants	352,192	669,699	1,021,891	859,240
Net investment return	116,214	2,240	118,454	83,042
Other	17,905	-	17,905	16,805
Total support and revenue	<u>1,961,135</u>	<u>717,165</u>	<u>2,678,300</u>	<u>2,557,157</u>
<b>In-kind donations:</b>				
Food	4,149,823	-	4,149,823	3,744,669
Compensation and fringes	1,168,480	-	1,168,480	1,114,989
Miscellaneous	9,301	-	9,301	4,561
Total in-kind donations	<u>5,327,604</u>	<u>-</u>	<u>5,327,604</u>	<u>4,864,219</u>
Total support, revenue and in-kind donations	<u>7,288,739</u>	<u>717,165</u>	<u>8,005,904</u>	<u>7,421,376</u>
Net assets released from restrictions	<u>152,864</u>	<u>(152,864)</u>	<u>-</u>	<u>-</u>
Total support, revenue, in-kind donations and reclassifications	<u>7,441,603</u>	<u>564,301</u>	<u>8,005,904</u>	<u>7,421,376</u>
<b>Operating expenses:</b>				
Program services	6,811,952	-	6,811,952	6,381,779
Management and general	334,745	-	334,745	337,526
Fundraising	219,020	-	219,020	222,314
Total operating expenses	<u>7,365,717</u>	<u>-</u>	<u>7,365,717</u>	<u>6,941,619</u>
Change in net assets	<u>75,886</u>	<u>564,301</u>	<u>640,187</u>	<u>479,757</u>
Net assets, beginning of year	<u>4,719,943</u>	<u>478,017</u>	<u>5,197,960</u>	<u>4,718,203</u>
Net assets, end of year	<u>\$ 4,795,829</u>	<u>\$ 1,042,318</u>	<u>\$ 5,838,147</u>	<u>\$ 5,197,960</u>

See accompanying notes to financial statements.

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Functional Expenses (with Comparative Totals for 2018)

	Year ended June 30			
	2019			
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program
Cost of food distributed	\$ 3,610,492	\$ 67,068	\$ 322,894	\$ 103,896
Compensation and fringes	1,524,239	9,658	69,579	14,972
Accounting and audit	-	-	-	-
Bank charges	-	-	-	-
Consultants and contractors	25,744	1,795	19,285	672
Depreciation	143,938	2,091	10,076	3,242
Insurance	8,175	151	726	234
Licenses and dues	534	8	39	12
Marketing	39	1	3	1
Payroll taxes	29,104	394	1,899	611
Postage	91	2	8	3
Printing	1,876	7	34	11
Rent and utilities	36,852	542	2,613	841
Repairs and maintenance	27,823	399	1,922	618
Software licensing	25,130	464	2,233	719
Staff development	1,299	23	109	35
Supplies	32,518	818	6,462	736
Telephone	5,124	95	455	147
Transportation	22,997	422	2,035	655
Volunteer support	-	-	-	-
<b>Total</b>	<b>\$ 5,495,975</b>	<b>\$ 83,938</b>	<b>\$ 440,372</b>	<b>\$ 127,405</b>

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Functional Expenses (with Comparative Totals for 2018)

Year ended June 30						
2019					2018	
Mobile Food Initiative	Total Program Services	Management and General	Fundraising	Total	Total	
\$ 496,178	\$ 4,600,528	\$ -	\$ -	\$ 4,600,528	\$ 4,200,810	
127,187	1,745,635	221,783	109,645	2,077,063	2,020,932	
-	-	20,250	-	20,250	7,100	
-	-	-	6,260	6,260	6,803	
3,207	50,703	45,749	4,480	100,932	152,918	
15,482	174,829	-	-	174,829	168,165	
1,116	10,402	-	100	10,502	9,402	
59	652	2,362	285	3,299	2,230	
5	49	3,237	737	4,023	4,484	
2,919	34,927	13,764	7,448	56,139	62,067	
12	116	744	17,681	18,541	16,405	
52	1,980	1,490	24,663	28,133	31,494	
4,015	44,863	-	600	45,463	49,982	
2,953	33,715	955	1,648	36,318	43,131	
3,431	31,977	-	39,339	71,316	65,015	
168	1,634	1,281	749	3,664	4,993	
3,631	44,165	12,332	4,845	61,342	53,466	
700	6,521	-	-	6,521	7,506	
3,147	29,256	626	540	30,422	32,184	
-	-	10,172	-	10,172	2,532	
\$ 664,262	\$ 6,811,952	\$ 334,745	\$ 219,020	\$ 7,365,717	\$ 6,941,619	

*See accompanying notes to financial statements.*



## Kalamazoo Loaves & Fishes, Inc.

### Statement of Cash Flows (with Comparative Totals for 2018)

	Year ended June 30	
	2019	2018
<b>Operating activities</b>		
Change in net assets	\$ 640,187	\$ 479,757
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	174,829	168,165
Net realized and unrealized gains on investments	(83,587)	(52,892)
Gain on disposal of equipment	-	(800)
Contributions restricted for investment in property and equipment	(320,877)	(325,000)
Changes in operating assets and liabilities:		
Receivables	(244,818)	159,529
Food inventory	(32,010)	(97,560)
Prepaid expenses	(5,003)	(8,380)
Accounts payable	35,094	(8,030)
Accrued expenses	(14,245)	(2,250)
Total adjustments	(490,617)	(167,218)
Net cash provided by operating activities	149,570	312,539
<b>Investing activities</b>		
Purchases of investments	(684,624)	(393,946)
Proceeds from sale of equipment	-	800
Proceeds from sales of investments	702,903	224,011
Property and equipment expenditures	(462,336)	(97,890)
Net cash used in investing activities	(444,057)	(267,025)
<b>Financing activities</b>		
Increase in cash restricted for investment in property and equipment	(26,922)	(153,333)
Increase in cash designated for investment in property and equipment	(129,600)	-
Proceeds from contributions restricted for investment in property and equipment	395,877	250,000
Net cash provided by financing activities	239,355	96,667
Net increase (decrease) in cash	(55,132)	142,181
Cash, beginning of year	577,826	435,645
Cash, end of year	\$ 522,694	\$ 577,826

*See accompanying notes to financial statements.*

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements

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### Note A—Summary of Accounting Policies

#### Nature of Activities

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 five programs:

*Grocery Pantry Program*—Through a network of 30 pantries located all over Kalamazoo County, 146,578 four-day food orders were provided to 28,568 unduplicated individuals experiencing food insecurity.

*Weekend Food Packs*—19,064 supplemental food packs were provided to students at 13 different elementary schools in order to bridge the weekend food gap.

*Commodity Supplemental Food Program*—An average of 575 senior citizens received additional groceries each month that were delivered directly to 17 local housing developments and community centers.

*Agency Meal Program*—Food was provided to 5 partner service agencies to support hot, prepared meals for their clients.

*Mobile Food Initiative*—Additional grocery assistance was provided at 5 mobile locations each month to 16,530 recipients annually.

#### Basis of Accounting

The accompanying financial statements of the Organization are prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# **Kalamazoo Loaves & Fishes, Inc.**

## **Notes to Financial Statements (continued)**

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### **Note A—Summary of Accounting Policies (continued)**

#### **Cash**

Cash received with donor-imposed restrictions limiting its use to long-term purposes, and cash designated by the Board for long-term purposes are not considered cash for purposes of the statement of cash flows.

#### **Inventory**

Food inventory is valued at cost for items purchased. Food items donated and salvaged are valued at \$1.68 per pound in 2019 and in 2018.

#### **Investments**

Investments are stated at fair value. See Note D for discussion of fair value measurements.

Investments sold are valued using the specific identification method. Net investment return is reported in the accompanying statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

#### **Property, Equipment and Depreciation**

Expenditures for property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets by the straight-line method.

Donations of property and equipment are recorded as support at their estimated fair values on the date of the gift. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies such donations with restrictions to net assets without restrictions at that time.

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

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### Note A—Summary of Accounting Policies (continued)

#### Classification of Net Assets

Net assets, revenues, gains and losses of the Organization are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions—net assets available for use in general operations which are not subject to donor-imposed restrictions. In addition, the Organization also has board designated net assets, which are net assets without donor restrictions that have been set aside for specific purposes by the board.
- 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 either by actions of the Organization or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the funds be maintained in perpetuity.

#### Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as contributions without donor restrictions in the statement of activities. All other donor-restricted contribution revenue is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Donated Assets and Services

Donated noncash assets and services are recorded at their fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. For 2019 and 2018, fair value was determined based on U.S. Bureau of Labor Statistics wage information for comparable jobs.

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

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### Note A—Summary of Accounting Policies (continued)

#### Donated Assets and Services (continued)

A substantial number of volunteers have made significant contributions of their time to the Organization's programs. These donated services are not reflected in the financial statements since the services do not require specialized skills.

#### Functional Allocation of Expenses

The costs of providing the various programs and support services have been reported on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, rent and utilities, compensation and fringes, insurance, office expenses and consultants and contractors which are allocated on the basis of management's estimates of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

#### Income Tax Status

The Organization is a not-for-profit corporation and is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Organization qualifies as a charitable organization as described in Section 170(c)(2) and has been classified under Section 509(a)(1) as an organization that is not a private foundation.

#### Accounting Change

During the year ended June 30, 2019, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in information about expenses and investment return among not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note L).

The accompanying summarized information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

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### Note A—Summary of Accounting Policies (continued)

#### Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

#### Subsequent Events

Subsequent events were evaluated through January 22, 2020, which is the date the financial statements were available to be issued.

### Note B—Cash

The Organization maintains all of its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management transfers cash in excess of the FDIC insured amounts to an insured cash sweep account.

### Note C—Grants and Contributions Receivable

Grants and contributions receivable are summarized as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 125,000	\$ —
Receivable in one year to five years	125,000	—
Total contributions receivable	<u>250,000</u>	—
Less discount to present value	5,952	—
Net grants and contributions receivable	<u>\$ 244,048</u>	<u>\$ —</u>

Grants and contributions receivable in more than one year were discounted at 5% per annum in 2019.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note D—Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

The price on the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are: (i) independent; (ii) knowledgeable; (iii) able to transact; and (iv) willing to transact.

In determining fair value, the Organization uses various valuation approaches. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that are based on the reporting entity's estimates of a market participant's inputs. The hierarchy is broken down into three levels based on the observability of inputs as follows:

*Level 1*—Valuations based on quoted prices in active markets for identical assets that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2*—Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

*Level 3*—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

#### Note D—Fair Value Measurements (continued)

The Organization uses prices and inputs that are current as of the measurement date, obtained through multiple third-party custodians and from independent pricing services.

A description of the valuation techniques applied to the major categories of investments measured at fair value is outlined below:

*Money Market Funds*—Money market funds are valued at fair value.

*Equity Securities*—Publicly traded equity securities are valued using quoted prices in active markets.

*Exchange Traded Funds (ETF)*—ETFs are open-ended SEC registered investment funds. The funds allow investors to sell their interests to the fund using quoted prices in active markets.

The aggregate carrying value of investments is summarized as follows:

	<b>June 30, 2019</b>	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>June 30, 2018</b>	<b>Quoted Prices in Active Markets (Level 1)</b>
Equity securities	\$ 863,149	\$ 863,149	\$ 945,500	\$ 945,500
Exchange traded funds— bond funds	538,653	538,653	451,057	451,057
Money market funds	46,810	46,810	87,046	87,046
Certificates of deposit	100,299	100,299	—	—
<b>Total investments</b>	<b>\$ 1,548,911</b>	<b>\$ 1,548,911</b>	<b>\$ 1,483,603</b>	<b>\$ 1,483,603</b>

As of June 30, 2019, and 2018, the Organization had no assets classified within Level 2 or 3.



## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note E—Property and Equipment

Property and equipment are summarized by major classifications as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 399,249	\$ 399,249
Land improvements	46,832	26,432
Building	1,920,688	1,914,447
Equipment	724,329	706,143
Leasehold improvements	152,779	152,779
Vehicles	259,415	259,415
Total property and equipment	<u>3,503,292</u>	3,458,465
Less accumulated depreciation	<u>1,177,345</u>	1,002,516
Net property and equipment	<u>\$ 2,325,947</u>	\$ 2,455,949

#### Note F—Building Expansion

The Organization is in the process of an expansion to the existing building which will provide additional refrigerated and freezer food storage. The cost of the expansion is approximately \$771,000. Subsequent to year-end, the project was completed and a certificate of occupancy was issued in December 2019.

#### Note G—Line of Credit

The Organization has a \$100,000 unsecured line of credit agreement with a bank (\$100,000 available at June 30, 2019), under which borrowings bear interest at the bank's prime rate plus 0.25% (5.75% at June 30, 2019).

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note H—Lease Commitments

The Organization entered into a lease agreement for pantry space which expires in March 2022. The lease provides for monthly lease payments of \$500. Rent expense charged to operations was \$6,000 in 2019 and in 2018.

Future minimum lease payments under the noncancelable operating lease are as follows:

Year ending June 30	Amount
2020	\$ 6,000
2021	6,000
2022	4,500
Total	<u>\$ 16,500</u>

#### Note I—Commitments

The Organization entered into a software licensing agreement that requires annual payments of \$35,379 through June 2021. The Organization paid \$40,131 in 2019 and \$35,072 in 2018.

The Organization entered into a \$367,616 contract with a construction company for the building expansion. The Organization paid \$251,188 under this contract in 2019.

#### Note J—Retirement Plan

The Organization has an IRC Section 403(b) retirement plan covering all eligible employees. Organization contributions to the plan totaled \$42,815 in 2019 and \$68,511 in 2018. The Organization's contribution decreased from 10% to 8% of employee's compensation received during the plan year effective January 1, 2019.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note K—Net Investment Return

Net investment return consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 45,593	\$ 40,350
Net realized and unrealized gain on investments	83,587	53,136
Less investment management fees	10,726	10,444
Total	<u>\$ 118,454</u>	<u>\$ 83,042</u>

#### Note L—Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2019:

Cash	\$ 929,369
Receivables	245,837
Investments	1,548,911
Total financial assets	<u>2,724,117</u>
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time restrictions	244,048
Restricted by donor with purpose restrictions—building expansion	277,075
Board designated—building expansion	129,600
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,073,394</u>

Restricted contributions require resources to be used in a particular manner or in a future period, therefore, the Organization must maintain sufficient resources to meet those responsibilities to its donors. As a result, financial assets may not be available for general expenditure within one year. Amounts not available to meet expenditures within one year include amounts restricted for property and equipment.

The Organization's board designated operating reserve is available for operations as required.

## **Kalamazoo Loaves & Fishes, Inc.**

### **Notes to Financial Statements (continued)**

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#### **Note L—Liquidity and Availability (continued)**

The Organization has a committed line of credit in the amount of \$100,000 at June 30, 2019, which it could draw upon if needed.

The Organization invests excess cash in an insured sweep account and certificates of deposit. Occasionally the board designates a portion of any operating surplus to its operating reserve, which was \$1,448,612 as of June 30, 2019.

#### **Note M—Risks and Uncertainties**

The Organization holds investments in exchange traded funds and equity securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the investment amount reported in the statement of financial position.

#### **Note N—Subsequent Event**

Subsequent to year-end, the Organization was notified by the Food Bank of South Central Michigan (Food Bank) that the regional distribution organization contract between the two organizations would end effective September 30, 2019. The Organization distributes over 3 million pounds of product each fiscal year. A portion of that food, including United States Department of Agriculture (USDA) product and food gleaned from national donors, is provided through the Feeding America charitable network via the Food Bank. The Food Bank offered a pantry agency agreement to the Organization which did not allow for redistribution of product. The Organization's board of directors reviewed the pantry agency agreement and unanimously voted to not enter into the pantry agency agreement as the agreement did not allow the Organization to fully meet its mission. Upon notification from the Food Bank, the Organization contacted the USDA to request product move directly from the USDA to the Organization. The USDA approved the request and the Organization will begin receiving USDA product in February 2020 which will partially replace the product received from the Food Bank.

## Supplementary Information

## Kalamazoo Loaves & Fishes, Inc.

### Schedule of Operating Expenses (with Comparative Totals for 2018)

	Year ended June 30			
	2019			
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program
<b>Operating expenses</b>				
<b>(exclusive of in-kind)</b>				
Cost of food distributed	\$ 356,988	\$ 65,105	\$ -	\$ 6,290
Compensation and fringes	482,132	6,463	31,136	10,019
Accounting and audit	-	-	-	-
Bank charges	-	-	-	-
Consultants and contractors	22,375	371	18,986	576
Depreciation	143,938	2,091	10,076	3,242
Insurance	8,175	151	726	234
Licenses and dues	534	8	39	12
Marketing	39	1	3	1
Payroll taxes	29,104	394	1,899	611
Postage	91	2	8	3
Printing	1,876	7	34	11
Rent and utilities	36,852	542	2,613	841
Repairs and maintenance	27,823	399	1,922	618
Software licensing	25,130	464	2,233	719
Staff development	1,299	23	109	35
Supplies	32,480	820	6,474	740
Telephone	5,124	95	455	147
Transportation	22,997	422	2,035	655
Volunteer support	-	-	-	-
<b>Total operating expenses</b>				
<b>(exclusive of in-kind)</b>	\$ 1,196,957	\$ 77,358	\$ 78,748	\$ 24,754
<b>In-kind operating expenses</b>				
Food	\$ 3,253,504	\$ 1,963	\$ 322,894	\$ 97,606
Compensation and fringes	1,042,107	3,195	38,443	4,953
Supplies and other	3,407	1,422	287	92
<b>Total in-kind operating</b>				
<b>expenses</b>	\$ 4,299,018	\$ 6,580	\$ 361,624	\$ 102,651
<b>Total operating expenses</b>	\$ 5,495,975	\$ 83,938	\$ 440,372	\$ 127,405

## Kalamazoo Loaves & Fishes, Inc.

### Schedule of Operating Expenses (with Comparative Totals for 2018)

Year ended June 30						
2019					2018	
Mobile Food Initiative	Total Program Services	Management and General	Fundraising	Total	Total	
\$ 34,368	\$ 462,751	\$ -	\$ -	\$ 462,751	\$	540,133
47,844	577,594	221,344	109,645	908,583	\$	905,943
-	-	16,600	-	16,600	\$	7,100
-	-	-	6,260	6,260	\$	6,803
2,747	45,055	45,749	4,480	95,284	\$	150,574
15,482	174,829	-	-	174,829	\$	168,165
1,116	10,402	-	100	10,502	\$	9,402
59	652	2,362	285	3,299	\$	2,230
5	49	3,237	737	4,023	\$	4,484
2,919	34,927	13,764	7,448	56,139	\$	62,067
12	116	744	17,681	18,541	\$	16,405
52	1,980	1,490	24,663	28,133	\$	31,494
4,015	44,863	-	600	45,463	\$	49,982
2,953	33,715	955	1,648	36,318	\$	43,131
3,431	31,977	-	39,339	71,316	\$	65,015
168	1,634	1,281	749	3,664	\$	4,993
3,649	44,163	12,342	4,834	61,339	\$	51,249
700	6,521	-	-	6,521	\$	7,506
3,147	29,256	626	540	30,422	\$	32,184
-	-	10,172	-	10,172	\$	2,532
\$ 122,667	\$ 1,500,484	\$ 330,666	\$ 219,009	\$ 2,050,159	\$	2,161,392
\$ 461,810	\$ 4,137,777	\$ -	\$ -	\$ 4,137,777	\$	3,660,677
79,343	1,168,041	439	-	1,168,480	\$	1,114,989
442	5,650	3,640	11	9,301	\$	4,561
\$ 541,595	\$ 5,311,468	\$ 4,079	\$ 11	\$ 5,315,558	\$	4,780,227
\$ 664,262	\$ 6,811,952	\$ 334,745	\$ 219,020	\$ 7,365,717	\$	6,941,619

## Kalamazoo Loaves & Fishes, Inc.

### Analysis of Distributed Food Costs Per Pound (Unaudited)

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	<u>Year ended June 30</u>		<u>Increase (Decrease)</u>
	<u>2019</u>	<u>2018</u>	
Direct food costs	\$ 0.140	\$ 0.171	\$ (0.031)
Operating expenses	0.488	0.525	(0.037)
Total cost per pound	<u>\$ 0.628</u>	<u>\$ 0.696</u>	<u>\$ (0.068)</u>



## Kalamazoo Loaves & Fishes, Inc.

### Food Acquisition and Distribution Analysis (in Pounds) (Unaudited)

#### Food Acquired

Month	Year ended June 30					
	2019			2018		
	Food Purchased	Food Donated	Total Acquired	Food Purchased	Food Donated	Total Acquired
July	138,372	84,859	<b>223,231</b>	134,925	132,907	267,832
August	182,616	137,960	<b>320,576</b>	97,922	127,072	224,994
September	173,513	91,687	<b>265,200</b>	142,629	103,647	246,276
October	184,920	144,052	<b>328,972</b>	202,828	166,860	369,688
November	141,796	128,361	<b>270,157</b>	107,812	112,567	220,379
December	129,108	150,982	<b>280,090</b>	124,443	135,926	260,369
January	140,380	61,304	<b>201,684</b>	252,891	106,569	359,460
February	143,907	109,459	<b>253,366</b>	126,028	108,720	234,748
March	135,843	97,249	<b>233,092</b>	99,711	83,914	183,625
April	119,819	135,362	<b>255,181</b>	169,364	90,469	259,833
May	149,338	137,897	<b>287,235</b>	129,340	158,479	287,819
June	180,146	106,217	<b>286,363</b>	141,008	111,545	252,553
Totals	<b>1,819,758</b>	<b>1,385,389</b>	<b>3,205,147</b>	<b>1,728,901</b>	<b>1,438,675</b>	<b>3,167,576</b>

#### Food Distributed

Month	Year ended June 30		Increase (Decrease)
	2019	2018	
July	<b>300,779</b>	249,708	<b>51,071</b>
August	<b>307,976</b>	290,661	<b>17,315</b>
September	<b>255,306</b>	252,236	<b>3,070</b>
October	<b>319,128</b>	314,538	<b>4,590</b>
November	<b>275,409</b>	265,802	<b>9,607</b>
December	<b>246,963</b>	238,369	<b>8,594</b>
January	<b>228,791</b>	300,145	<b>(71,354)</b>
February	<b>267,824</b>	236,386	<b>31,438</b>
March	<b>256,402</b>	233,470	<b>22,932</b>
April	<b>287,169</b>	239,787	<b>47,382</b>
May	<b>249,018</b>	267,490	<b>(18,472)</b>
June	<b>272,844</b>	233,110	<b>39,734</b>
Totals	<b>3,267,609</b>	<b>3,121,702</b>	<b>145,907</b>