



*Promoting a Hunger-Free Community Since 1982*

## Financial Statements and Supplementary Information

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

*Year ended June 30, 2020*



**JANSEN VALK THOMPSON REAHM PC**


*Certified Public Accountants and Consultants*

# Kalamazoo Loaves & Fishes, Inc.

Year ended June 30, 2020

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## Independent Auditor's Report

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, 2020, 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.

### ***Auditor's 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, 2020, 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 Standards**

As described in Note A to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. In addition, the Organization adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. Our opinion is not modified with respect to these matters.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 20 and 21 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 20 and 21 are fairly stated in all material respects in relation to the financial statements taken as a whole. The information on pages 22 and 23, 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.



October 21, 2020

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Financial Position (with Comparative Totals for 2019)

	June 30	
	2020	2019
<b>Assets</b>		
Cash	\$ 1,346,539	\$ 522,694
Receivables:		
Grants and contributions	257,495	244,048
Other	2,304	1,789
Food inventory	491,218	415,735
Prepaid expenses	73,918	68,981
Investments	1,946,407	1,548,911
Deposits	30,100	-
Board designated cash—property and equipment	58,617	129,600
Cash restricted for investment in property and equipment	-	277,075
Property and equipment, less accumulated depreciation	2,770,985	2,325,947
Construction in progress	118,295	417,509
Total assets	\$ 7,095,878	\$ 5,952,289
<b>Liabilities</b>		
Accounts payable	\$ 32,315	\$ 72,784
Accrued expenses	73,874	41,358
Total liabilities	106,189	114,142
<b>Net Assets</b>		
Net assets without donor restrictions:		
Undesignated	5,006,498	3,217,617
Board designated:		
Operating reserve	1,584,133	1,448,612
Property and equipment	58,617	129,600
Total board designated	1,642,750	1,578,212
Total net assets without donor restrictions	6,649,248	4,795,829
Net assets with donor restrictions:		
Time-restriction—future periods	330,000	394,048
Purpose restriction—property and equipment	10,441	648,270
Total net assets with donor restrictions	340,441	1,042,318
Total net assets	6,989,689	5,838,147
Total liabilities and net assets	\$ 7,095,878	\$ 5,952,289

*See accompanying notes to financial statements.*

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Activities (with Comparative Totals for 2019)

	Year ended June 30			2019
	2020		Total	
	Without Donor Restrictions	With Donor Restrictions		
<b>Support and revenue:</b>				
Contributions—individuals and groups	\$ 2,127,026	\$ -	\$ 2,127,026	\$ 1,414,901
Bequests	322,441	-	322,441	51,298
Special events	52,818	-	52,818	43,815
United Way designations received	9,195	-	9,195	10,036
Grants	752,275	85,952	838,227	1,021,891
Net investment return	114,977	169	115,146	118,454
Other	14,222	-	14,222	17,905
Total support and revenue	<u>3,392,954</u>	<u>86,121</u>	<u>3,479,075</u>	<u>2,678,300</u>
<b>In-kind donations:</b>				
Food	4,126,331	-	4,126,331	4,149,823
Compensation and fringes	880,546	-	880,546	1,168,480
Miscellaneous	15,326	-	15,326	9,301
Total in-kind donations	<u>5,022,203</u>	<u>-</u>	<u>5,022,203</u>	<u>5,327,604</u>
Total support, revenue and in-kind donations	<u>8,415,157</u>	<u>86,121</u>	<u>8,501,278</u>	<u>8,005,904</u>
Net assets released from restrictions	<u>787,998</u>	<u>(787,998)</u>	<u>-</u>	<u>-</u>
Total support, revenue, in-kind donations and reclassifications	<u>9,203,155</u>	<u>(701,877)</u>	<u>8,501,278</u>	<u>8,005,904</u>
<b>Operating expenses:</b>				
Program services	6,668,514	-	6,668,514	6,811,952
Management and general	443,451	-	443,451	334,745
Fundraising	237,771	-	237,771	219,020
Total operating expenses	<u>7,349,736</u>	<u>-</u>	<u>7,349,736</u>	<u>7,365,717</u>
Change in net assets	<u>1,853,419</u>	<u>(701,877)</u>	<u>1,151,542</u>	<u>640,187</u>
Net assets, beginning of year	<u>4,795,829</u>	<u>1,042,318</u>	<u>5,838,147</u>	<u>5,197,960</u>
Net assets, end of year	<u>\$ 6,649,248</u>	<u>\$ 340,441</u>	<u>\$ 6,989,689</u>	<u>\$ 5,838,147</u>

See accompanying notes to financial statements.

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Functional Expenses (with Comparative Totals for 2019)

	Year ended June 30			
	2020			
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program
Cost of food distributed	\$ 3,947,759	\$ 38,584	\$ 327,877	\$ 88,457
Compensation and fringes	1,326,390	5,201	70,413	12,401
Accounting and audit	-	-	-	-
Bank charges	-	-	-	-
Consultants and contractors	22,776	193	19,872	459
Depreciation	151,758	1,037	9,203	2,463
Insurance	9,748	92	813	220
Licenses and dues	1,014	9	76	21
Marketing	388	3	24	6
Payroll taxes	35,813	248	2,187	591
Postage	10	-	1	-
Printing	522	4	32	9
Rent and utilities	39,422	272	2,409	645
Repairs and maintenance	32,610	252	2,224	601
Software licensing	26,778	253	2,234	604
Staff development	2,715	25	224	61
Supplies	55,422	1,749	10,729	870
Telephone	5,604	53	468	126
Transportation	34,393	325	2,869	775
Volunteer support	-	-	-	-
<b>Total</b>	<b>\$ 5,693,122</b>	<b>\$ 48,300</b>	<b>\$ 451,655</b>	<b>\$ 108,309</b>

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Functional Expenses (with Comparative Totals for 2019)

Year ended June 30						
2020					2019	
Mobile Food Initiative	Total Program Services	Management and General	Fundraising	Total	Total	
\$ 244,524	\$ 4,647,201	\$ -	\$ -	\$ 4,647,201	\$ 4,600,528	
101,525	1,515,930	278,345	117,594	1,911,869	2,077,063	
-	-	30,867	-	30,867	20,250	
-	-	85	13,598	13,683	6,260	
1,266	44,566	42,939	5,687	93,192	100,932	
6,870	171,331	14,882	8,415	194,628	174,829	
606	11,479	(259)	-	11,220	10,502	
57	1,177	1,841	348	3,366	3,299	
18	439	3,857	718	5,014	4,023	
1,630	40,469	16,904	7,870	65,243	56,139	
1	12	877	13,635	14,524	18,541	
24	591	10,898	21,672	33,161	28,133	
1,798	44,546	9,137	979	54,662	45,463	
1,657	37,344	12,129	1,548	51,021	36,318	
1,664	31,533	1,241	40,170	72,944	71,316	
167	3,192	987	1,370	5,549	3,664	
2,835	71,605	15,418	4,039	91,062	61,342	
348	6,599	-	-	6,599	6,521	
2,138	40,500	97	128	40,725	30,422	
-	-	3,206	-	3,206	10,172	
<b>\$ 367,128</b>	<b>\$ 6,668,514</b>	<b>\$ 443,451</b>	<b>\$ 237,771</b>	<b>\$ 7,349,736</b>	<b>\$ 7,365,717</b>	

See accompanying notes to financial statements.



## Kalamazoo Loaves & Fishes, Inc.

### Statement of Cash Flows (with Comparative Totals for 2019)

	Year ended June 30	
	2020	2019
<b>Operating activities</b>		
Change in net assets	\$ 1,151,542	\$ 640,187
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	194,628	174,829
Net realized and unrealized gains on investments	(82,141)	(83,587)
Loss on disposal of equipment	214	-
Contributions restricted for investment in property and equipment	-	(320,877)
Changes in operating assets and liabilities:		
Receivables	(13,962)	(244,818)
Food inventory	(75,483)	(32,010)
Prepaid expenses	(4,937)	(5,003)
Deposits	(30,100)	-
Accounts payable	(40,469)	35,094
Accrued expenses	32,516	(14,245)
Total adjustments	(19,734)	(490,617)
Net cash provided by operating activities	1,131,808	149,570
<b>Investing activities</b>		
Purchases of investments	(1,084,539)	(684,624)
Proceeds from sales of investments	769,184	702,903
Proceeds from sale of land	6,556	-
Property and equipment expenditures	(347,222)	(462,336)
Net cash used in investing activities	(656,021)	(444,057)
<b>Financing activities</b>		
Proceeds from contributions restricted for investment in property and equipment	-	395,877
Net increase in cash	475,787	101,390
Cash, beginning of year	929,369	827,979
Cash, end of year	\$ 1,405,156	\$ 929,369
Cash is presented in the statement of financial position as follows:		
Cash	\$ 1,346,539	\$ 522,694
Board designated cash	58,617	129,600
Cash restricted for investment in property and equipment	-	277,075
Total cash	\$ 1,405,156	\$ 929,369

*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 and home deliveries all over Kalamazoo County, 133,103 four-day food orders were provided to 27,565 unduplicated individuals experiencing food insecurity.

*Weekend Food Packs*—11,446 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 600 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 18 partner service agencies to support hot, prepared meals and/or emergency food distribution for their clients.

*Mobile Food Initiative*—Additional grocery assistance was provided at 8 mobile locations each month to 11,790 recipients annually.

Due to the COVID-19 pandemic, the Organization has been required to make operational adjustments and remain flexible in its service delivery model. This includes temporary closure of some pantry locations, less volunteer support, fewer community food drives, and implementation of a home delivery program. The Organization remains committed to providing food assistance to our community while adhering to public health guidelines.

#### Basis of Accounting

The accompanying financial statements of the Organization are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

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

#### 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.

#### Inventory

Food inventory is valued at cost for items purchased. Food items donated and salvaged are valued at \$1.62 per pound in 2020 and \$1.68 per pound in 2019.

#### 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

The Organization capitalizes all expenditures for property and equipment in excess of \$1,500. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. 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 2020 and 2019, 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.

##### **Newly Adopted Accounting Pronouncements**

The Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18)*. ASU No. 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. The Organization adopted this standard on July 1, 2019 and has retrospectively applied the ASU to June 30, 2019.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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

##### **Newly Adopted Accounting Pronouncements (continued)**

The Organization also adopted the provisions of FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this ASU did not have a significant impact on the Organization's financial statements.

The accompanying summarized information from the 2019 financial statements has been restated to conform to the 2020 presentation and disclosure requirements of ASU No. 2016-18 and 2018-08.

##### **Upcoming New Accounting Pronouncements**

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* which establishes a new standard on revenue recognition. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue from cash flows arising from contracts with customers. The Organization is currently evaluating the potential impact on its financial position and results of operations upon adoption of this guidance.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require leases to be recorded as an asset on the statement of financial position for the right to use the leased asset and a liability for the corresponding lease obligation for leases with terms of more than twelve months. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The standard delays the effective date for non-public entities to fiscal years beginning after December 15, 2020, with early adoption permitted. The Organization expects no material impact on the financial statements and related disclosures upon the adoption of this standard.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*. This standard delayed the effective dates of ASU No. 2014-09 and 2016-02 by one year to July 1, 2020 and July 1, 2022, respectively.

## 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, 2019, from which the summarized information was derived.

##### Subsequent Events

Subsequent events were evaluated through October 21, 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>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 217,495	\$ 125,000
Receivable in one year to five years	40,000	125,000
Total contributions receivable	<u>257,495</u>	250,000
Less discount to present value	—	5,952
Net grants and contributions receivable	<u>\$ 257,495</u>	<u>\$ 244,048</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**

GAAP defines 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 should 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:

*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.

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

*Mutual Funds*—Mutual funds are valued using quoted net asset values in active markets.

*Certificates of Deposit*—Certificates of deposits are valued at fair value.

The aggregate carrying value of investments is summarized as follows:

	June 30, 2020	Quoted Prices in Active Markets (Level 1)	June 30, 2019	Quoted Prices in Active Markets (Level 1)
Equity securities	\$ 882,739	\$ 882,739	\$ 863,149	\$ 863,149
Exchange traded funds—				
bond funds	546,663	546,663	538,653	538,653
Money market funds	154,731	154,731	46,810	46,810
Mutual funds	160,629	160,629	—	—
Certificates of deposit	201,645	201,645	100,299	100,299
Total investments	<b>\$ 1,946,407</b>	<b>\$ 1,946,407</b>	<b>\$ 1,548,911</b>	<b>\$ 1,548,911</b>

As of June 30, 2020, and 2019, the Organization had no financial instruments 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 classification as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 392,693	\$ 399,249
Land improvements	46,832	46,832
Building	2,286,525	1,920,688
Equipment	887,015	724,329
Leasehold improvements	152,779	152,779
Vehicles	254,415	259,415
Total property and equipment	<u>4,020,259</u>	3,503,292
Less accumulated depreciation	<u>1,249,274</u>	1,177,345
Net property and equipment	<u>\$ 2,770,985</u>	<u>\$ 2,325,947</u>

#### Note F—Construction in Progress

The Organization completed the building expansion, which provided additional refrigerated and freezer food storage, in December 2019. One component of the building expansion was the addition of a blast chiller, which will allow the Organization to flash freeze prepared food received from local businesses. The blast chiller was purchased and installed; however, the project was stalled due to COVID-19 and no access to excess food from restaurants and commercial kitchens.

#### 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, 2020), under which borrowings bear interest at the bank's prime rate plus 0.25% (3.50% at June 30, 2020).

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note H—PPP Loan

In April 2020, the Organization entered into a promissory note with a bank for \$188,715 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act. The note bears interest at a rate of 1.00% with equal monthly payments of principal and interest that are deferred until either the date the U.S. Small Business Administration (SBA) remits the borrower's loan forgiveness amount to the lender or if the borrower does not apply for forgiveness, ten months after the end of the borrower's loan forgiveness covered period. All or a portion of the loan is subject to potential forgiveness by the SBA and the lender upon application by the Organization. In order to qualify for forgiveness, the Organization is required to use the funds for eligible purposes, including payroll and related benefits, rent and utility expenditures. The Organization determined that all of the parameters for loan forgiveness were met and recategorized the PPP loan to a government grant at June 30, 2020.

#### Note I—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 2020 and in 2019.

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

<u>Year ending June 30</u>	<u>Amount</u>
2021	\$ 6,000
2022	4,500
Total	<u>\$ 10,500</u>

#### Note J—Commitments

The Organization entered into a software licensing agreement that requires annual payments of \$35,379 through June 2021. The Organization paid \$40,606 in 2020 and \$40,131 in 2019.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note K—Retirement Plan

The Organization has an IRC Section 403(b) retirement plan covering all eligible employees. Organization contributions to the plan totaled \$35,688 in 2020 and \$42,815 in 2019. The Organization's contribution decreased from 10% to 8% of employee's compensation received during the plan year effective January 1, 2019. Effective January 1, 2020, the Organization decreased the contribution from 8% to 5%.

#### Note L—Net Investment Return

Net investment return consists of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 41,668	\$ 45,593
Net realized and unrealized gain on investments	82,141	83,587
Less investment management fees	8,663	10,726
Total	<u>\$ 115,146</u>	<u>\$ 118,454</u>

#### 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.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note N—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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,405,156	\$ 929,369
Receivables	259,799	245,837
Investments	<u>1,946,407</u>	<u>1,548,911</u>
Total financial assets	<u>3,611,362</u>	<u>2,724,117</u>
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time restrictions	165,000	244,048
Restricted by donor with purpose restrictions—building expansion	—	277,075
Board designated—property and equipment	<u>58,617</u>	<u>129,600</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,387,745</u>	<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 has a committed line of credit in the amount of \$100,000 at June 30, 2020, 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 \$1,584,133 as of June 30, 2020. The Organization's board designated operating reserve is available for operations as required.

## Supplementary Information

## Kalamazoo Loaves & Fishes, Inc.

### Schedule of Operating Expenses (with Comparative Totals for 2019)

	Year ended June 30			
	2020			
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program
<b>Operating expenses (exclusive of in-kind)</b>				
Cost of food distributed	\$ 532,272	\$ 38,584	\$ -	\$ 3,900
Compensation and fringes	577,885	3,899	34,399	9,296
Accounting and audit	-	-	-	-
Bank charges	-	-	-	-
Consultants and contractors	22,776	193	19,872	459
Depreciation	151,758	1,037	9,203	2,463
Insurance	9,748	92	813	220
Licenses and dues	1,014	9	76	21
Marketing	388	3	24	6
Payroll taxes	35,813	248	2,187	591
Postage	10	-	1	-
Printing	522	4	32	9
Rent and utilities	39,422	272	2,409	645
Repairs and maintenance	32,610	252	2,224	601
Software licensing	26,778	253	2,234	604
Staff development	2,715	25	224	61
Supplies	42,345	319	10,323	760
Telephone	5,604	53	468	126
Transportation	34,393	325	2,869	775
Volunteer support	-	-	-	-
<b>Total operating expenses (exclusive of in-kind)</b>	<b>1,516,053</b>	<b>45,568</b>	<b>87,358</b>	<b>20,537</b>
<b>In-kind operating expenses</b>				
Food	3,415,487	-	327,877	84,557
Compensation and fringes	748,505	1,302	36,014	3,105
Supplies and other	13,077	1,430	406	110
<b>Total in-kind operating expenses</b>	<b>4,177,069</b>	<b>2,732</b>	<b>364,297</b>	<b>87,772</b>
<b>Total operating expenses</b>	<b>\$ 5,693,122</b>	<b>\$ 48,300</b>	<b>\$ 451,655</b>	<b>\$ 108,309</b>

## Kalamazoo Loaves & Fishes, Inc.

### Schedule of Operating Expenses (with Comparative Totals for 2019)

Year ended June 30						
2020					2019	
Mobile Food Initiative	Total Program Services	Management and General	Fundraising	Total	Total	
\$ 26,675	\$ 601,431	\$ -	\$ -	\$ 601,431	\$ 462,751	
25,628	651,107	262,622	117,594	1,031,323	908,583	
-	-	30,867	-	30,867	16,600	
-	-	85	13,598	13,683	6,260	
1,266	44,566	42,939	5,687	93,192	95,284	
6,870	171,331	14,882	8,415	194,628	174,829	
606	11,479	(259)	-	11,220	10,502	
57	1,177	1,841	348	3,366	3,299	
18	439	3,857	718	5,014	4,023	
1,630	40,469	16,904	7,870	65,243	56,139	
1	12	877	13,635	14,524	18,541	
24	591	10,898	21,672	33,161	28,133	
1,798	44,546	9,137	979	54,662	45,463	
1,657	37,344	12,129	1,548	51,021	36,318	
1,664	31,533	1,241	40,170	72,944	71,316	
167	3,192	987	1,370	5,549	3,664	
2,532	56,279	15,418	4,039	75,736	61,339	
348	6,599	-	-	6,599	6,521	
2,138	40,500	97	128	40,725	30,422	
-	-	3,206	-	3,206	10,172	
73,079	1,742,595	427,728	237,771	2,408,094	2,050,159	
217,849	4,045,770	-	-	4,045,770	4,137,777	
75,897	864,823	15,723	-	880,546	1,168,480	
303	15,326	-	-	15,326	9,301	
294,049	4,925,919	15,723	-	4,941,642	5,315,558	
\$ 367,128	\$ 6,668,514	\$ 443,451	\$ 237,771	\$ 7,349,736	\$ 7,365,717	



## Kalamazoo Loaves & Fishes, Inc.

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

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	<u>Year ended June 30</u>		<b>Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
Direct food costs	\$ 0.166	\$ 0.140	\$ 0.026
Operating expenses	0.508	0.488	0.020
Total cost per pound	<u>\$ 0.674</u>	<u>\$ 0.628</u>	<u>\$ 0.046</u>

## Kalamazoo Loaves & Fishes, Inc.

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

#### Food Acquired

Month	Year ended June 30					
	2020			2019		
	Food Purchased	Food Donated	Total Acquired	Food Purchased	Food Donated	Total Acquired
July	147,391	62,770	<b>210,161</b>	138,372	84,859	223,231
August	191,743	101,087	<b>292,830</b>	182,616	137,960	320,576
September	112,460	57,102	<b>169,562</b>	173,513	91,687	265,200
October	141,604	142,874	<b>284,478</b>	184,920	144,052	328,972
November	110,368	96,220	<b>206,588</b>	141,796	128,361	270,157
December	174,709	191,625	<b>366,334</b>	129,108	150,982	280,090
January	103,780	106,884	<b>210,664</b>	140,380	61,304	201,684
February	53,169	321,039	<b>374,208</b>	143,907	109,459	253,366
March	103,076	189,032	<b>292,108</b>	135,843	97,249	233,092
April	80,287	327,457	<b>407,744</b>	119,819	135,362	255,181
May	53,685	266,477	<b>320,162</b>	149,338	137,897	287,235
June	12,526	415,008	<b>427,534</b>	180,146	106,217	286,363
<b>Totals</b>	<b>1,284,798</b>	<b>2,277,575</b>	<b>3,562,373</b>	<b>1,819,758</b>	<b>1,385,389</b>	<b>3,205,147</b>

#### Food Distributed

Month	Year ended June 30		Increase (Decrease)
	2020	2019	
July	<b>253,864</b>	300,779	<b>(46,915)</b>
August	<b>263,927</b>	307,976	<b>(44,049)</b>
September	<b>225,963</b>	255,306	<b>(29,343)</b>
October	<b>260,345</b>	319,128	<b>(58,783)</b>
November	<b>232,041</b>	275,409	<b>(43,368)</b>
December	<b>239,817</b>	246,963	<b>(7,146)</b>
January	<b>235,082</b>	228,791	<b>6,291</b>
February	<b>304,406</b>	267,824	<b>36,582</b>
March	<b>374,969</b>	256,402	<b>118,567</b>
April	<b>408,814</b>	287,169	<b>121,645</b>
May	<b>290,738</b>	249,018	<b>41,720</b>
June	<b>469,083</b>	272,844	<b>196,239</b>
<b>Totals</b>	<b>3,559,049</b>	<b>3,267,609</b>	<b>291,440</b>