



*Promoting a Hunger-Free Community Since 1982*

## Financial Statements and Supplementary Information

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

*Year ended June 30, 2021*




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

# Kalamazoo Loaves & Fishes, Inc.

Year ended June 30, 2021

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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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021, 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.

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

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Adoption of New Accounting Standard**

As described in Note A to the financial statements, the Organization adopted the provisions of Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies certain disclosure requirements of fair value measurements. Our opinion is not modified with respect to this matter.

### **Other Matter**

Our audit was made for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Organization's internal control over financial reporting and compliance.



## Kalamazoo Loaves & Fishes, Inc.

### Statement of Financial Position (with Comparative Totals for 2020)

	June 30	
	2021	2020
<b>Assets</b>		
Cash	\$ 1,532,309	\$ 1,346,539
Receivables:		
Grants and contributions	130,954	257,495
Other	69,611	2,304
Food inventory	812,643	491,218
Prepaid expenses	94,198	73,918
Investments	2,820,418	1,946,407
Deposits	41,850	30,100
Board designated cash—property and equipment	3,998	58,617
Property and equipment, less accumulated depreciation	2,899,480	2,770,985
Construction in progress	-	118,295
Total assets	<u>\$ 8,405,461</u>	<u>\$ 7,095,878</u>
<b>Liabilities</b>		
Accounts payable	\$ 46,526	\$ 32,315
Accrued expenses	78,040	73,874
Total liabilities	<u>124,566</u>	<u>106,189</u>
<b>Net Assets</b>		
Net assets without donor restrictions:		
Undesignated	5,463,551	5,006,498
Board designated:		
Operating reserve	2,618,346	1,584,133
Property and equipment	3,998	58,617
Total board designated	<u>2,622,344</u>	<u>1,642,750</u>
Total net assets without donor restrictions	<u>8,085,895</u>	<u>6,649,248</u>
Net assets with donor restrictions:		
Time-restriction—future periods	195,000	330,000
Purpose restriction—property and equipment	-	10,441
Total net assets with donor restrictions	<u>195,000</u>	<u>340,441</u>
Total net assets	<u>8,280,895</u>	<u>6,989,689</u>
Total liabilities and net assets	<u>\$ 8,405,461</u>	<u>\$ 7,095,878</u>

*See accompanying notes to financial statements.*

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Activities (with Comparative Totals for 2020)

	Year ended June 30			2020
	2021		Total	
	Without Donor Restrictions	With Donor Restrictions		
<b>Support and revenue:</b>				
Contributions—individuals and groups	\$ 2,566,119	\$ -	\$ 2,566,119	\$ 2,127,026
Bequests	204,257	-	204,257	322,441
Special events	18,811	-	18,811	52,818
United Way designations received	6,929	-	6,929	9,195
Grants	589,765	30,000	619,765	838,227
Net investment return	342,319	-	342,319	115,146
Other	5,418	-	5,418	4,643
Total support and revenue	<u>3,733,618</u>	<u>30,000</u>	<u>3,763,618</u>	<u>3,469,496</u>
<b>In-kind donations:</b>				
Food	7,474,792	-	7,474,792	4,126,331
Compensation and fringes	268,885	-	268,885	880,546
Miscellaneous	2,680	-	2,680	15,326
Total in-kind donations	<u>7,746,357</u>	<u>-</u>	<u>7,746,357</u>	<u>5,022,203</u>
Total support, revenue and in-kind donations	11,479,975	30,000	11,509,975	8,491,699
Net assets released from restrictions	175,441	(175,441)	-	-
Total support, revenue, in-kind donations and reclassifications	<u>11,655,416</u>	<u>(145,441)</u>	<u>11,509,975</u>	<u>8,491,699</u>
<b>Operating expenses:</b>				
Program services	9,547,107	-	9,547,107	6,658,935
Management and general	426,338	-	426,338	443,451
Fundraising	245,324	-	245,324	237,771
Total operating expenses	<u>10,218,769</u>	<u>-</u>	<u>10,218,769</u>	<u>7,340,157</u>
Change in net assets	1,436,647	(145,441)	1,291,206	1,151,542
Net assets, beginning of year	6,649,248	340,441	6,989,689	5,838,147
Net assets, end of year	<u>\$ 8,085,895</u>	<u>\$ 195,000</u>	<u>\$ 8,280,895</u>	<u>\$ 6,989,689</u>

See accompanying notes to financial statements.

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Functional Expenses (with Comparative Totals for 2020)

	Year ended June 30				
	2021				
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program	Mobile Food Initiative
Cost of food distributed	\$ 6,336,653	\$ 2,695	\$ 313,113	\$ 528,907	\$ 648,196
Compensation and fringes	820,240	250	52,525	49,102	133,684
Accounting and audit	-	-	-	-	-
Bank charges	-	-	-	-	-
Consultants and contractors	29,944	13	17,877	2,499	3,063
Depreciation	170,118	-	5,798	9,712	11,886
Insurance	11,808	5	584	986	1,208
Licenses and dues	760	-	38	64	78
Marketing	290	-	14	24	29
Payroll taxes	44,325	15	1,699	2,870	3,518
Postage	-	-	-	-	-
Printing	917	-	40	68	989
Rent and utilities	41,340	1	1,487	2,492	3,050
Repairs and maintenance	48,259	17	2,023	3,418	4,189
Software licensing	4,925	2	226	382	468
Staff development	(540)	-	(27)	(45)	(55)
Supplies	65,791	17	2,030	3,430	4,637
Telephone	7,360	3	326	551	676
Transportation	33,417	14	1,651	2,789	3,427
Volunteer support	-	-	-	-	-
<b>Total</b>	<b>\$ 7,615,607</b>	<b>\$ 3,032</b>	<b>\$ 399,404</b>	<b>\$ 607,249</b>	<b>\$ 819,043</b>



						<b>2020</b>
<b>Targeted Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Total</b>	
\$ 89,566	\$ 7,919,130	\$ -	\$ -	\$ <b>7,919,130</b>	\$	4,637,622
8,316	1,064,117	295,452	119,236	<b>1,478,805</b>		1,911,869
-	-	31,972	-	<b>31,972</b>		30,867
-	-	20	15,465	<b>15,485</b>		13,683
423	53,819	28,406	5,389	<b>87,614</b>		93,192
1,595	199,109	15,246	6,191	<b>220,546</b>		194,628
167	14,758	-	-	<b>14,758</b>		11,220
11	951	801	410	<b>2,162</b>		3,366
4	361	7,346	3,967	<b>11,674</b>		5,014
486	52,913	17,915	7,995	<b>78,823</b>		65,243
-	-	350	16,074	<b>16,424</b>		14,524
12	2,026	584	23,193	<b>25,803</b>		33,161
410	48,780	4,144	1,069	<b>53,993</b>		54,662
579	58,485	5,719	1,878	<b>66,082</b>		51,021
65	6,068	2,221	41,054	<b>49,343</b>		72,944
(8)	(675)	141	849	<b>315</b>		5,549
581	76,486	13,240	2,554	<b>92,280</b>		91,062
93	9,009	210	-	<b>9,219</b>		6,599
472	41,770	-	-	<b>41,770</b>		40,725
-	-	2,571	-	<b>2,571</b>		3,206
<b>\$ 102,772</b>	<b>\$ 9,547,107</b>	<b>\$ 426,338</b>	<b>\$ 245,324</b>	<b>\$ 10,218,769</b>	<b>\$</b>	<b>7,340,157</b>

See accompanying notes to financial statements.

## Kalamazoo Loaves & Fishes, Inc.

### Statement of Cash Flows (with Comparative Totals for 2020)

	Year ended June 30	
	2021	2020
<b>Operating activities</b>		
Change in net assets	\$ 1,291,206	\$ 1,151,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	220,546	194,628
(Gain) loss on disposal of equipment	(1,068)	214
Net realized and unrealized gains on investments	(314,874)	(82,141)
Donated stock	(43,762)	-
Changes in operating assets and liabilities:		
Receivables	59,234	(13,962)
Food inventory	(321,425)	(75,483)
Prepaid expenses	(20,280)	(4,937)
Deposits	(11,750)	(30,100)
Accounts payable	14,211	(40,469)
Accrued expenses	4,166	32,516
Total adjustments	(415,002)	(19,734)
Net cash provided by operating activities	876,204	1,131,808
<b>Investing activities</b>		
Purchases of investments	(3,667,873)	(1,084,539)
Proceeds from sales of investments	3,152,498	769,184
Proceeds from sale of property and equipment	4,276	6,556
Property and equipment expenditures	(233,954)	(347,222)
Net cash used in investing activities	(745,053)	(656,021)
Net increase in cash	131,151	475,787
Cash, beginning of year	1,405,156	929,369
Cash, end of year	\$ 1,536,307	\$ 1,405,156
Cash is presented in the statement of financial position as follows:		
Cash	\$ 1,532,309	\$ 1,346,539
Board designated cash	3,998	58,617
Total cash	\$ 1,536,307	\$ 1,405,156

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 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 approximately 28,000 unduplicated individuals each year.

*Weekend Food Packs*—Child-friendly food packs are provided to students at 13 different public schools in order to help bridge the weekend food gap.

*Commodity Supplemental Food Program*—An average of 600 senior citizens receive supplemental groceries each month. Food is directly distributed to 17 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 at 10 community-wide locations each month to approximately 10,000 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 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts 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 \$1.74 per pound in 2021 and \$1.62 per pound in 2020.

#### 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 Goods and Services

Donated noncash goods and services are recorded at their fair values in the period received. The Organization receives donated food from government agencies and the general public which amounted to \$6,744,733 and \$730,059, respectively in 2021 and \$2,461,462 and \$1,664,869, respectively in 2020.

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

### Notes to Financial Statements (continued)

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

##### **Donated Goods and Services (continued)**

In addition, a number of individuals and organizations have made in-kind donations or volunteered their services to the Organization. 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 2021 and 2020, fair value was determined based on U.S. Bureau of Labor Statistics wage information for comparable jobs. For those services that do not require specialized skills, the estimated value of such services has not been recorded in the financial statements.

##### **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 also adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU modifies certain disclosure requirements of fair value measurements. The adoption of this ASU resulted in changes to certain fair value measurement disclosures and does not have a material impact on the financial statements. This ASU was adopted beginning July 1, 2020.

# Kalamazoo Loaves & Fishes, Inc.

## Notes to Financial Statements (continued)

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

#### Upcoming New Accounting Pronouncements

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 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 date of ASU No. 2016-02 by one year to July 1, 2022. The Organization expects no material impact on the financial statements and related disclosures upon the adoption of this standard.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This standard is effective for fiscal years beginning after June 15, 2021. The Organization is evaluating the impact this pronouncement may have on the financial statements.

#### 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, 2020, from which the summarized information was derived.

#### Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. These reclassifications had no effect on the total net assets or the total change in net assets for 2020.

#### Subsequent Events

Subsequent events were evaluated through June 17, 2022, 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.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note C—Grants and Contributions Receivable

Grants and contributions receivable are summarized as follows:

	2021	2020
Receivable in less than one year	\$ 130,954	\$ 217,495
Receivable in one year to five years	—	40,000
Total contributions receivable	130,954	257,495
Less discount to present value	—	—
Net grants and contributions receivable	<u>\$ 130,954</u>	<u>\$ 257,495</u>

#### Note D—Fair Value Measurements

The Organization reports assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair value hierarchy ranks the quality and reliability of information used to determine fair values. Based on the observability of the inputs used in the valuation techniques, financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

*Level 1*—Quoted prices (unadjusted) in active markets for identical assets that the Organization has the ability to access at the measurement date.

*Level 2*—Significant other observable inputs other Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; and other inputs that are observable or can be corroborated by observable market data.

*Level 3*—Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset.

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)

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

*Certificates of Deposit*—Valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions.

*Common Stock*—Investments in common stock listed on a national securities exchange are valued at the last reported sales price on the valuation date.

*Corporate and U.S. Government Bonds*—Bonds issued by corporations and the U.S. government are generally priced by independent pricing services, including spreads obtained from broker-dealers, trade prices and new issue market. As significant inputs used to price bonds are observable market inputs, fair values are included in the Level 2 fair value hierarchy.

*Exchange Traded Funds (ETF)*—ETFs are a basket of securities that trade on an exchange and are valued at the last reported sales price on the valuation date.

*Money Market Funds*—Valued at the net asset value (NAV) of shares held at year-end and determined based on the value of the underlying investments of the fund. The money market funds seek to maintain a \$1.00 NAV.

*Mutual Funds*—Valued at daily closing prices as reported by the fund. Mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held are deemed to be actively traded.

Assets measured at fair value on a recurring basis are summarized as follows:

	Level 1	Level 2	Level 3	Total
<b>June 30, 2021</b>				
Common stock	\$ 282,927	\$ —	\$ —	\$ 282,927
Corporate bonds	—	208,174	—	208,174
Exchange traded funds	1,144,218	—	—	1,144,218
Money market funds	161,732	—	—	161,732
Mutual funds	525,255	—	—	525,255
U.S. Government bonds	—	296,040	—	296,040
Certificates of deposit	202,072	—	—	202,072
Total investments at fair value	<u>\$ 2,316,204</u>	<u>\$ 504,214</u>	<u>\$ —</u>	<u>\$ 2,820,418</u>

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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

	Level 1	Level 2	Level 3	Total
<b>June 30, 2020</b>				
Common stock	\$ 882,739	\$ —	\$ —	\$ 882,739
Exchange traded funds	546,663	—	—	546,663
Money market funds	154,731	—	—	154,731
Mutual funds	160,629	—	—	160,629
Certificates of deposit	201,645	—	—	201,645
Total investments at fair value	<u>\$ 1,946,407</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,946,407</u>

#### Note E—Property and Equipment

Property and equipment are summarized by major classification as follows:

	2021	2020
Land	\$ 392,693	\$ 392,693
Land improvements	51,594	46,832
Building	2,297,804	2,286,525
Equipment	1,086,832	887,015
Leasehold improvements	152,779	152,779
Vehicles	353,867	254,415
Total property and equipment	<u>4,335,569</u>	4,020,259
Less accumulated depreciation	<u>1,436,089</u>	1,249,274
Net property and equipment	<u>\$ 2,899,480</u>	<u>\$ 2,770,985</u>

#### Note F—Line of Credit

The Organization has a \$100,000 unsecured line of credit agreement with a bank (\$100,000 available at June 30, 2021), under which borrowings bear interest at the bank's prime rate plus 0.25% (3.50% at June 30, 2021).

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### **Note G—Paycheck Protection Program**

In April 2020, the Organization applied for and received loan proceeds totaling \$188,715 under the Paycheck Protection Program (PPP) from a bank. The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (SBA). The PPP loan has a two-year term and bears interest at an annual rate of 1.00%. Monthly principal and interest payments are deferred for six months, with a maturity date of April 2022.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan and accrued interest. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, and retention of employees and maintaining salary levels. However, no assurance is provided that forgiveness for any portion of the PPP loan will be obtained.

As of June 30, 2020, the Organization used the loan proceeds to fund eligible payroll under the terms of the PPP loan. As a result, the Organization believes and expects to have met the PPP eligibility criteria for forgiveness and has concluded that the PPP loan represents, in substance, funds provided under a government grant. As such, analogous to International Accounting Standards (IAS) 20 “*Accounting for Government Grants and Disclosure of Government Assistance*,” the Company has recognized the full amount of the loan proceeds as a government grant included in grants. The Organization was notified by the SBA in December 2020 that the PPP loan and related accrued interest of \$1,287 was forgiven.

#### **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 2021 and \$6,000 in 2020. Future minimum lease payments under the noncancelable operating lease are as follows: 2022—\$4,500. Subsequent to year-end, the Organization extended the lease.

#### **Note I—Commitments**

The Organization entered into a software licensing agreement that requires annual payments of \$38,563 through May 2024. The Organization paid \$45,908 in 2021 and \$40,606 in 2020.

## Kalamazoo Loaves & Fishes, Inc.

### Notes to Financial Statements (continued)

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#### Note J—Retirement Plan

The Organization has an IRC Section 403(b) retirement plan covering all eligible employees. Organization contributions to the plan totaled \$44,902 in 2021 and \$35,688 in 2020. The Organization's contribution decreased from 8% to 5% of employee's compensation received during the plan year effective January 1, 2020.

#### Note K—Net Investment Return

Net investment return consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 42,055	\$ 43,919
Net realized and unrealized gain on investments	314,874	82,141
Investment management fees	(14,610)	(10,914)
Total	<u>\$ 342,319</u>	<u>\$ 115,146</u>

#### Note L—Risks and Uncertainties

The Organization holds investments in various investment 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 that such changes could materially affect the investment amount reported in the statement of financial position.

The full impact of the COVID-19 outbreak continues to evolve. Since the values of the Organization's investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and related impact on the Organization's liquidity cannot be determined at this time.

#### Note M—Coronavirus Pandemic

As a result of the global coronavirus (COVID-19) pandemic, the Organization was 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.

## 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>2021</u>	<u>2020</u>
Cash	<b>\$ 1,536,307</b>	\$ 1,405,156
Receivables	<b>200,565</b>	259,799
Investments	<b>2,820,418</b>	1,946,407
Total financial assets	<b>4,557,290</b>	3,611,362
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time restrictions	—	165,000
Board designated property and equipment	<b>3,998</b>	58,617
Financial assets available to meet cash needs for general expenditures within one year	<b><u>\$ 4,553,292</u></b>	<b><u>\$ 3,387,745</u></b>

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, 2021, 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 \$2,618,346 as of June 30, 2021. 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 2020)

	Year ended June 30				
	2021				
	Grocery Pantry Program	Weekend Food Packs	Commodity Supplemental Food Program	Agency Meal Program	Mobile Food Initiative
<b>Operating expenses (exclusive of in-kind)</b>					
Cost of food distributed	\$ 557,102	\$ 2,695	\$ 556	\$ 33,213	\$ 42,028
Compensation and fringes	675,121	218	25,364	42,845	52,508
Accounting and audit	-	-	-	-	-
Bank charges	-	-	-	-	-
Consultants and contractors	29,944	13	17,877	2,499	3,063
Depreciation	170,118	-	5,798	9,712	11,886
Insurance	11,808	5	584	986	1,208
Licenses and dues	760	-	38	64	78
Marketing	290	-	14	24	29
Payroll taxes	44,325	15	1,699	2,870	3,518
Postage	-	-	-	-	-
Printing	917	-	40	68	989
Rent and utilities	41,340	1	1,487	2,492	3,050
Repairs and maintenance	48,259	17	2,023	3,418	4,189
Software licensing	4,925	2	226	382	468
Staff development	(540)	-	(27)	(45)	(55)
Supplies	65,791	17	2,030	3,430	4,637
Telephone	7,360	3	326	551	676
Transportation	31,272	13	1,545	2,610	3,208
Volunteer support	-	-	-	-	-
<b>Total operating expenses (exclusive of in-kind)</b>	<b>1,688,792</b>	<b>2,999</b>	<b>59,580</b>	<b>105,119</b>	<b>131,480</b>
<b>In-kind operating expenses</b>					
Food	5,779,551	-	312,557	495,694	606,168
Compensation and fringes	145,119	32	27,161	6,257	81,176
Supplies and other	2,145	1	106	179	219
<b>Total in-kind operating expenses</b>	<b>5,926,815</b>	<b>33</b>	<b>339,824</b>	<b>502,130</b>	<b>687,563</b>
<b>Total operating expenses</b>	<b>\$ 7,615,607</b>	<b>\$ 3,032</b>	<b>\$ 399,404</b>	<b>\$ 607,249</b>	<b>\$ 819,043</b>

						<b>2020</b>
<b>Targeted Outreach</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>		<b>Total</b>
\$ 17,821	\$ 653,415	\$ -	\$ -	\$ 653,415		\$ 591,852
7,256	803,312	287,372	119,236	1,209,920		1,031,323
-	-	31,972	-	31,972		30,867
-	-	20	15,465	15,485		13,683
423	53,819	28,406	5,389	87,614		93,192
1,595	199,109	15,246	6,191	220,546		194,628
167	14,758	-	-	14,758		11,220
11	951	801	410	2,162		3,366
4	361	7,346	3,967	11,674		5,014
486	52,913	17,915	7,995	78,823		65,243
-	-	350	16,074	16,424		14,524
12	2,026	584	23,193	25,803		33,161
410	48,780	4,144	1,069	53,993		54,662
579	58,485	5,719	1,878	66,082		51,021
65	6,068	2,221	41,054	49,343		72,944
(8)	(675)	141	849	315		5,549
581	76,486	13,240	2,554	92,280		75,736
93	9,009	210	-	9,219		6,599
442	39,090	-	-	39,090		40,725
-	-	2,571	-	2,571		3,206
<b>29,937</b>	<b>2,017,907</b>	<b>418,258</b>	<b>245,324</b>	<b>2,681,489</b>		<b>2,398,515</b>
71,745	7,265,715	-	-	7,265,715		4,045,770
1,060	260,805	8,080	-	268,885		880,546
30	2,680	-	-	2,680		15,326
72,835	7,529,200	8,080	-	7,537,280		4,941,642
<b>\$ 102,772</b>	<b>\$ 9,547,107</b>	<b>\$ 426,338</b>	<b>\$ 245,324</b>	<b>\$ 10,218,769</b>		<b>\$ 7,340,157</b>



## 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>2021</u>	<u>2020</u>	
Direct food costs	\$ 0.135	\$ 0.166	\$ (0.031)
Operating expenses	0.420	0.508	(0.088)
Total cost per pound	<u>\$ 0.555</u>	<u>\$ 0.674</u>	<u>\$ (0.119)</u>

## Kalamazoo Loaves & Fishes, Inc.

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


#### Food Acquired

Month	Year ended June 30					
	2021			2020		
	Food Purchased	Food Donated	Total Acquired	Food Purchased	Food Donated	Total Acquired
July	81,429	456,659	<b>538,088</b>	147,391	62,770	210,161
August	44,993	394,676	<b>439,669</b>	191,743	101,087	292,830
September	42,755	388,557	<b>431,312</b>	112,460	57,102	169,562
October	51,174	406,829	<b>458,003</b>	141,604	142,874	284,478
November	55,154	506,273	<b>561,427</b>	110,368	96,220	206,588
December	65,043	519,839	<b>584,882</b>	174,709	191,625	366,334
January	99,631	208,613	<b>308,244</b>	103,780	106,884	210,664
February	59,713	276,940	<b>336,653</b>	53,169	321,039	374,208
March	80,415	358,526	<b>438,941</b>	103,076	189,032	292,108
April	110,206	291,154	<b>401,360</b>	80,287	327,457	407,744
May	44,369	272,538	<b>316,907</b>	53,685	266,477	320,162
June	46,611	206,323	<b>252,934</b>	12,526	415,008	427,534
<b>Totals</b>	<b>781,493</b>	<b>4,286,927</b>	<b>5,068,420</b>	<b>1,284,798</b>	<b>2,277,575</b>	<b>3,562,373</b>

#### Food Distributed

Month	Year ended June 30		Increase (Decrease)
	2021	2020	
July	<b>443,868</b>	253,864	<b>190,004</b>
August	<b>451,056</b>	263,927	<b>187,129</b>
September	<b>435,744</b>	225,963	<b>209,781</b>
October	<b>384,587</b>	260,345	<b>124,242</b>
November	<b>424,663</b>	232,041	<b>192,622</b>
December	<b>555,452</b>	239,817	<b>315,635</b>
January	<b>340,554</b>	235,082	<b>105,472</b>
February	<b>368,230</b>	304,406	<b>63,824</b>
March	<b>438,565</b>	374,969	<b>63,596</b>
April	<b>371,161</b>	408,814	<b>(37,653)</b>
May	<b>344,795</b>	290,738	<b>54,057</b>
June	<b>270,740</b>	469,083	<b>(198,343)</b>
<b>Totals</b>	<b>4,829,415</b>	<b>3,559,049</b>	<b>1,270,366</b>

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## 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*

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., which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 June 17, 2022.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 Organization'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 may exist that have not been identified.

## 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.

Jensen Valle Thompson & Reahm PC