

**Food Bank of
Eastern Michigan**

Financial Statements

**September 30, 2020
(With Summarized Comparative
Information for 2019)**



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Independent Auditors' Report

Board of Directors
Food Bank of Eastern Michigan
Flint, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Food Bank of Eastern Michigan, which comprise the statement of financial position as of September 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial 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 Food Bank of Eastern Michigan as of September 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 1 to the financial statements, Food Bank of Eastern Michigan changed its method of accounting for contributions in 2019-2020 as required by the provisions of FASB Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Food Bank of Eastern Michigan's September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2021, on our consideration of Food Bank of Eastern Michigan'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 solely 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 the effectiveness of Food Bank of Eastern Michigan's 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 Food Bank of Eastern Michigan's internal control over financial reporting and compliance.

Yeo & Yeo, P.C.

Flint, Michigan
April 15, 2021

Food Bank of Eastern Michigan
Statement of Financial Position
September 30, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 2,936,098	\$ 289,942
Shared maintenance fees receivable	221,606	207,381
Grants and contributions receivable	797,216	449,019
Pledges receivable - current	-	351,345
Inventory	3,068,387	1,907,893
Total current assets	<u>7,023,307</u>	<u>3,205,580</u>
Non-current assets		
Investments	2,535,187	2,477,628
Land, buildings and equipment	14,278,436	13,892,823
Less: accumulated depreciation	<u>(6,491,209)</u>	<u>(5,787,644)</u>
Net land, building and equipment	<u>7,787,227</u>	<u>8,105,179</u>
Total non-current assets	<u>10,322,414</u>	<u>10,582,807</u>
Total assets	<u>\$ 17,345,721</u>	<u>\$ 13,788,387</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 347,737	\$ 776,466
Accrued expenses	342,282	337,166
Line of credit	-	380,000
Capital lease obligation	-	37,823
Refundable advances	3,187,613	1,308,728
Total current liabilities	<u>3,877,632</u>	<u>2,840,183</u>
Non-current liabilities		
Capital lease obligation	-	3,185
Total liabilities	<u>3,877,632</u>	<u>2,843,368</u>
Net assets		
Without donor restrictions		
Undesignated	4,856,041	1,315,624
Invested in land, building, and equipment, net of related debt	<u>7,787,227</u>	<u>8,064,171</u>
Total without donor restrictions	<u>12,643,268</u>	<u>9,379,795</u>
With donor restrictions		
Purpose restrictions	824,821	1,213,879
Time-restricted for future periods	-	351,345
Total with donor restrictions	<u>824,821</u>	<u>1,565,224</u>
Total net assets	<u>13,468,089</u>	<u>10,945,019</u>
Total liabilities and net assets	<u>\$ 17,345,721</u>	<u>\$ 13,788,387</u>

Food Bank of Eastern Michigan
Statement of Activities
For the Year Ended September 30, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
<u>Change in Net Assets Without Donor Restrictions</u>		
Revenue		
Donated foods and goods	\$ 66,633,372	\$ 42,275,343
Shared maintenance	2,795,465	2,706,145
United Way allocations	182,575	212,837
Contributions from the public	4,443,046	2,216,378
Investment income	38,485	30,816
Miscellaneous income	43,280	71,709
Total operating revenue	<u>74,136,223</u>	<u>47,513,228</u>
Net assets released from restrictions		
Satisfaction of program restrictions	7,667,556	5,184,908
Total	<u>81,803,779</u>	<u>52,698,136</u>
Expenses		
Program activities		
General distribution	76,922,886	52,504,121
Supporting activities		
Management and general	976,395	710,038
Fundraising	641,025	521,731
Total expenses	<u>78,540,306</u>	<u>53,735,890</u>
Change in net assets without donor restrictions	<u>3,263,473</u>	<u>(1,037,754)</u>
<u>Change in Net Assets With Donor Restrictions</u>		
Grants from governmental agencies	4,348,455	3,476,042
Bequests	16,208	351,345
Other grants	2,562,490	1,999,860
Net assets released from restrictions	(7,667,556)	(5,184,908)
Change in net assets with donor restrictions	<u>(740,403)</u>	<u>642,339</u>
Change in net assets	<u>2,523,070</u>	<u>(395,415)</u>
Net assets beginning of year		
Without donor restrictions	9,379,795	10,417,549
With donor restrictions	1,565,224	922,885
Total net assets - beginning of year	<u>10,945,019</u>	<u>11,340,434</u>
Net assets at the end of the year		
Without donor restrictions	12,643,268	9,379,795
With donor restrictions	824,821	1,565,224
Total net assets - end of year	<u>\$ 13,468,089</u>	<u>\$ 10,945,019</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Functional Expenses
For the Year Ended September 30, 2020
(With Summarized Comparative Information for 2019)

	Program Services	Support Services		Total	
	General Distribution	Management and General	Fundraising	2020	2019
Expenses					
Salaries	\$ 2,294,412	\$ 563,208	\$ 390,476	\$ 3,248,096	\$ 3,080,500
Pension	140,225	36,854	22,901	199,980	219,138
Employee benefits	176,382	42,338	27,985	246,705	277,638
Payroll taxes	201,358	47,726	31,823	280,907	277,525
Total salaries and related expenses	<u>2,812,377</u>	<u>690,126</u>	<u>473,185</u>	<u>3,975,688</u>	<u>3,854,801</u>
Conferences, conventions and meetings	1,955	375	291	2,621	21,698
Contract services	113,420	21,759	16,879	152,058	158,411
Dues	35,174	6,748	5,234	47,156	69,802
Employee expense	23,668	4,541	3,522	31,731	35,608
Food	70,412,434	-	-	70,412,434	45,947,057
Insurance	114,614	21,988	17,056	153,658	126,382
Bad debt expense	2,346	450	349	3,145	-
Miscellaneous	69,890	13,408	10,401	93,699	200,428
Occupancy	296,721	56,926	44,156	397,803	370,042
Printing, postage and publications	63,555	12,193	9,458	85,206	139,041
Professional fees	-	62,253	-	62,253	35,906
Supplies	144,021	27,630	21,433	193,084	215,357
Support of other organizations	1,351,113	-	-	1,351,113	1,169,676
Telephone	18,906	3,627	2,814	25,347	21,322
Transportation	647,125	-	-	647,125	539,223
Total expenses before depreciation	<u>76,107,319</u>	<u>922,024</u>	<u>604,778</u>	<u>77,634,121</u>	<u>52,904,754</u>
Depreciation	<u>815,567</u>	<u>54,371</u>	<u>36,247</u>	<u>906,185</u>	<u>831,136</u>
Total expenses	<u>\$ 76,922,886</u>	<u>\$ 976,395</u>	<u>\$ 641,025</u>	<u>\$ 78,540,306</u>	<u>\$ 53,735,890</u>

See Accompanying Notes to the Financial Statements

Food Bank of Eastern Michigan
Statement of Cash Flows
For the Year Ended September 30, 2020
(With Summarized Comparative Information for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 2,523,070	\$ (395,415)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	906,185	831,136
Unrealized gain on investments	5,070	(12,482)
Realized gain on investments	-	21,101
(Increase) decrease in assets:		
Shared maintenance receivable	(14,225)	(137,616)
Grants receivable	(348,197)	130,095
Pledges receivable	351,345	(351,345)
Inventory	(1,160,494)	(187,203)
Increase (decrease) in liabilities:		
Accounts payable	(428,729)	278,259
Accrued expenses	5,116	63,937
Deferred revenue	1,878,885	(28,303)
Net cash provided by operating activities	<u>3,718,026</u>	<u>212,164</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,953,100	1,302,037
Purchase of investments	(2,015,729)	(1,316,665)
Purchase of fixed assets	(588,233)	(69,486)
Net cash used by investing activities	<u>(650,862)</u>	<u>(84,114)</u>
Cash flows from financing activities		
Payments on line of credit	(380,000)	(20,000)
Payments on capital lease obligation	(41,008)	(37,102)
Net cash used by financing activities	<u>(421,008)</u>	<u>(57,102)</u>
Net change in cash and cash equivalents	2,646,156	70,948
Cash and cash equivalents - beginning of period	<u>289,942</u>	<u>218,994</u>
Cash and cash equivalents - end of period	<u>\$ 2,936,098</u>	<u>\$ 289,942</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 7,865</u>	<u>\$ 24,271</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2020
(With Summarized Comparative Information for 2019)

Note 1 – Summary of Significant Accounting Policies

Food Bank

Food Bank of Eastern Michigan (Food Bank) is a nonprofit charitable Food Bank whose purpose is to alleviate hunger and other needs by soliciting, storing and distributing goods to member charitable service agencies serving the needy, ill and infants. The Food Bank services the eastern half of the State of Michigan north of Livingston County.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Food Bank records donor restricted cash contributions that are received and expended in the same year as revenue with donor restrictions.

The Food Bank obtains donations under federal grants administered through state and local agencies.

- The USDA – TEFAP Program whereby the Food Bank provides temporary emergency food assistance to the participating agencies and is partially funded through the State of Michigan Department of Education, acting for the United States Department of Agriculture (USDA).
- The Federal Emergency Management Agency (FEMA) represents federal funds which have been distributed to the Food Bank through the United Way agencies for the benefit of Saginaw, Genesee, and Lapeer Counties. The funds are designated for the purchase of food for distribution to qualified agencies.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Food Bank considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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Concentration of Credit Risk

The Food Bank maintains its excess cash balances in a variety of financial instruments such as corporate bonds, mutual funds, certificates of deposit and government obligations. The Food Bank has not experienced any material losses in these transactions nor in any of the short-term investment instruments it has used for excess cash balances. Accounts are insured by the Federal Deposit Insurance Corporation up to \$ 250,000 per institution. At September 30, 2020, the deposits were reflected in the accounts of financial institutions at \$ 2,940,297, of which \$2,690,297 is not covered by federal depository insurance.

Shared Maintenance Fees, Grants, Contributions, Pledges, and Accounts Receivable

The Food Bank charges a shared maintenance fee to the recipient agency, church or other charitable Food Bank which takes the donated food and commodities and redistributes to the poor, needy and hungry. The Food Bank also distributes donated food to its Feeding America affiliates. This fee offsets a portion of the handling and redistribution costs incurred by the Food Bank.

Contributions and pledges receivable are recognized when the donor makes a promise to give to the Food Bank that is, in substance, unconditional. These receivables are recognized as revenue in the statement of activities on the line items contributions from the public and grants.

Management considers all receivables to be fully collectible; accordingly, no allowance for uncollectible accounts is recorded. If amounts are determined to be uncollectible, they are charged to operations at that time. Uncollectible accounts are determined by management on a case by case basis. Uncollectible accounts written off and recorded as bad debt expense for the years ended September 30, 2020 and 2019 were \$ 3,145 and \$ 0, respectively.

Paycheck Protection Program (PPP) Loan

The Food Bank accounts for the PPP loan as a conditional contribution under FASB ASC 958-605 Not-for-Profit Entities: Revenue Recognition. The loan is recorded as a refundable advance until the conditions are met for revenue recognition. The conditions were met for revenue recognition during the year, and as such, forgiveness of the PPP loan for the entire amount of \$600,000 was granted by the SBA subsequent to year end.

Inventories

Federal commodity inventory donated to the Food Bank is capitalized as inventory and offset by deferred revenue. Upon distribution, the food is recorded as both a contribution and an expense, and the deferred revenue is relieved.

Other food donated to the Food Bank is capitalized as inventory and recorded as a contribution without donor restrictions. Upon distribution, the food is recorded as a decrease in net assets without donor restrictions and an expense under food.

Investments

Investments in marketable securities with readily determined fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Land, Buildings, Equipment, and Depreciation

Acquired assets are stated at cost and donated assets at fair market value. Expenditures for new acquisitions, renewals, and betterments, which increase productive capacity or prolong service lives of the property and equipment are capitalized. Maintenance and repairs which do not enhance the value or extend the useful life are charged to costs and expensed as incurred.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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Depreciation for financial reporting is computed by the straight-line method using lives which range from five to forty years.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support 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 support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Food Bank reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Long-Lived Assets

The Food Bank evaluates long-lived assets for impairment using a discounted cash flow method whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with accounting principles generally accepted in the United States of America.

Contributed Goods and Services

Contributed services are reported in the financial statements for voluntary donations of services when these services create or enhance non-financial assets, or require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

Donated materials are recorded at their fair value at the date of the gift. The Food Bank does not imply time restrictions for gifts of long-lived assets. As a result, in absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

Volunteers have donated significant amounts of time to the Food Bank in various capacities.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Refundable Advances

Amounts recorded as refundable advances for the years ended September 30, 2020 and 2019, represent advance payments on accounts received from the Food Bank partner agencies, certain payments received where the revenue recognition criteria has not yet been met, and federal commodity inventory.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated based on actual time spent in each functional classification and/or charged directly to functional classifications based on their nature for all expenses except depreciation, which is allocated based on square footage.

Income Tax Status

The Food Bank is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. The Food Bank files informational returns in the U.S. federal and Michigan jurisdictions.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2020
(With Summarized Comparative Information for 2019)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The financial information for 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation.

Subsequent Events

Management has evaluated subsequent events through April 15, 2021, which is the date the financial statements were available to be issued.

Change in Accounting Principle

The Institute adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended September 30, 2019. This has been adopted using a modified prospective approach. Net assets did not change as a result of adoption of the new standard.

Note 2 – Liquidity and Availability

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

	2020	2019
Cash and cash equivalents	\$ 2,936,098	\$ 289,942
Shared maintenance receivable	221,606	207,381
Grants and contributions receivable	797,216	449,019
Pledges receivable - current	-	351,345
Investments	2,535,187	2,477,628
 Total financial assets - end of year	 \$ 6,490,107	 \$ 3,775,315
 Less: Financial assets unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	(824,821)	(1,565,224)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 5,665,286	 \$ 2,210,091

The Food Bank does not have a policy to maintain a particular amount of days of operating expenses as liquid assets. The Food Bank is substantially supported by grant revenues and other fees that renew annually, charged regularly, and/or are received on a frequent basis throughout the year. As such, the future cash needs of the Food Bank are substantially met by these receipts, which are received at approximately the same time as expenses are incurred. Additionally, the Food Bank has an available line of credit to help manage liquidity issues, should they arise.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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(With Summarized Comparative Information for 2019)

Note 3 – Inventory

Activities of donated food inventory are summarized as follows:

	2020		2019	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	822,604	\$ 1,332,618	486,466	\$ 817,586
Add water adjustment	-	-	73,207	6,589
Pounds received	21,409,339	37,252,250	19,372,438	31,383,351
Pounds distributed	(20,947,483)	(36,448,620)	(18,526,205)	(30,012,452)
Net adjustments	258,032	463,692	121,588	279,466
Pounds destroyed	(699,968)	(1,133,948)	(704,890)	(1,141,922)
Ending inventory	<u>842,524</u>	<u>\$ 1,465,992</u>	<u>822,604</u>	<u>\$ 1,332,618</u>

In addition to general donated food, the Food Bank also maintains an inventory of USDA-specific donated food as follows:

	2020		2019	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	298,017	\$ 452,983	451,047	\$ 708,141
Pounds received	20,208,593	30,101,804	7,183,560	10,919,012
Pounds distributed	(19,718,874)	(29,381,122)	(7,165,783)	(10,891,992)
Net adjustments	(93,001)	(142,693)	(170,807)	(282,178)
Pounds destroyed	(2,806)	(5,181)	-	-
Ending inventory	<u>691,929</u>	<u>\$ 1,030,972</u>	<u>298,017</u>	<u>\$ 452,983</u>

The estimated value of USDA food for 2020 and 2019 was \$ 1.49 and \$ 1.52 per pound, respectively. The estimated value of other donated food for 2020 and 2019 was \$ 1.74 and \$ 1.62 per pound, respectively. USDA food includes all federal commodities. For the year ended September 30, 2020, the Food Bank received commodities through the Coronavirus Food Assistance Program (CFAP). These commodities are included above, but are not subject to the Uniform Guidance Requirements, and therefore are not listed on the Schedule of Expenditures of Federal Awards.

Food Bank of Eastern Michigan
Notes to the Financial Statements
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(With Summarized Comparative Information for 2019)

In addition to donated and USDA food, the Food Bank also maintains an inventory for purchased food as follows:

	2020		2019	
	Pounds	Dollar Value	Pounds	Dollar Value
Beginning inventory	191,184	\$ 122,292	349,082	\$ 188,374
Pounds received	4,618,803	4,351,577	5,331,108	3,907,810
Pounds distributed	(4,583,059)	(4,459,971)	(5,488,899)	(3,973,828)
Net adjustments	593,246	557,651	-	-
Pounds destroyed	(134)	(126)	(107)	(64)
Ending inventory	<u>820,040</u>	<u>\$ 571,423</u>	<u>191,184</u>	<u>\$ 122,292</u>

Net adjustments in the tables above consist of various transactions that were not actual receipts or disbursements of product. These include item number changes, product transformation (bulk items received are transformed into many smaller items for distribution, adding packaging weight), and the change in price per pound of donated food from the prior year to the current year.

Purchased food is valued at purchase price.

Note 4 – Investments

Investments are stated at fair value and are summarized as of September 30, 2020 and 2019 as follows:

	2020	2019
Money market funds	\$ 162,366	\$ 392,081
Mutual funds	508,583	148,488
Exchange traded funds	474,700	-
Fixed income and equities	1,389,538	1,937,059
	<u>\$ 2,535,187</u>	<u>\$ 2,477,628</u>

Total appreciation above the cost of investments is detailed as follows for the years ended:

	2020	2019
Unrealized appreciation	<u>\$ 286,335</u>	<u>\$ 652,514</u>

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2020
(With Summarized Comparative Information for 2019)

Investment return is summarized as follows:

	2020	2019
Interest and dividends	\$ 62,035	\$ 57,359
Realized loss on investments	-	(21,101)
Unrealized gain (loss) on investments	(5,070)	12,482
Investment advisory fees	(18,480)	(17,924)
	\$ 38,485	\$ 30,816

Note 5 – Fair Value Measurements

ASC (Accounting Standards Update) Topic 820 provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosures about fair value measurements. In accordance with FASB ASC 820-10, the Food Bank may use valuation techniques consistent with the market, income and cost approaches to measure fair value. As a basis for considering market participant assumptions in fair value measurements, ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair values. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements. The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Basis of Fair Value Measurement

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Fixed Income/Equities:

Valued at the composite closing price as reported on the active market on which the individual securities are traded.

Mutual Funds:

Valued using the Net Asset Value (NAV) of shares held by the plan at period-end. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is quoted in an active market.

Food Bank of Eastern Michigan
Notes to the Financial Statements
September 30, 2020
(With Summarized Comparative Information for 2019)

The following table segregates all financial assets and liabilities as of September 30, 2020 and 2019 that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date:

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2020</u>	<u>Total</u>			
Mutual funds	\$ 508,583	\$ 508,583	\$ -	\$ -
Exchange traded funds	474,700	474,700	-	-
Fixed income & equities	<u>1,389,538</u>	<u>1,389,538</u>	-	-
Total	<u>\$ 2,372,821</u>	<u>\$ 2,372,821</u>	<u>\$ -</u>	<u>\$ -</u>
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2019</u>	<u>Total</u>			
Mutual funds	\$ 148,488	\$ 148,488	\$ -	\$ -
Fixed income & equities	<u>1,937,059</u>	<u>1,937,059</u>	-	-
	<u>\$ 2,085,547</u>	<u>\$ 2,085,547</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 – Land, Building and Equipment

Land, building and equipment consist of the following:

	2020	2019
Land	\$ 98,072	\$ 92,159
Buildings	3,084,111	3,084,111
Building improvements	7,034,379	7,034,379
Equipment	1,202,659	1,084,011
Furniture and fixtures	178,573	178,573
Vehicles	<u>2,680,642</u>	<u>2,419,590</u>
Total land, building, and equipment	14,278,436	13,892,823
Less: accumulated depreciation	<u>6,491,209</u>	<u>5,787,644</u>
	<u>\$ 7,787,227</u>	<u>\$ 8,105,179</u>

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Note 7 – Leases

The Food Bank has operating lease arrangements for equipment. Future lease obligations are as follows:

Years Ending September 30,	Total
2021	\$ 4,910
2022	2,689
	\$ 7,599

Expenses associated with operating leases amounted to approximately \$ 6,389 and \$ 10,555 for the years ended September 30, 2020 and 2019, respectively.

Note 8 – Line of Credit

The Food Bank has a \$ 750,000 revolving line of credit that is due on demand and is collateralized by investments held at the same financial institution. The interest rate is variable at .5 points under the prime rate. As of September 30, 2020 and 2019, the balance outstanding was \$ 0 and \$ 380,000 respectively.

Note 9 – Compensated Absences

Full time employees are eligible to earn and accumulate time off. During the first year of employment, a full time employee earns five days of paid time, after one year earns ten days of paid time, after two years earns 17 days of paid time, after five years earns 24 days of paid time, and after ten years the employee earns 25 days of paid time. A maximum of thirty days accumulated vacation time may be carried over to the next year. Employees are paid out for all accumulated time upon termination or retirement.

Accrued compensated absences recorded in accrued expenses on the statement of net position were \$ 163,888 and \$ 126,034 at September 30, 2020 and 2019, respectively.

Note 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions are as follows at September 30, 2020 and 2019:

	2020	2019
Time-restricted	\$ -	\$ 351,345
Purpose-restricted:		
Education of children	470,000	470,000
Program - general food/water distribution	354,821	743,879
Total	\$ 824,821	\$ 1,565,224

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 351,345	\$ -
Satisfaction of purpose restrictions		
Food distribution programs	<u>7,316,211</u>	<u>5,184,908</u>
Total net assets released from restrictions	<u>\$ 7,667,556</u>	<u>\$ 5,184,908</u>

Note 11 – Conditional Contributions

During the fiscal year, the Food Bank received conditional contributions related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements. The conditional contributions consisted of the following as of year end:

	<u>2020</u>		
<u>Purpose</u>	<u>Grant Amount</u>	<u>Spent to Date</u>	<u>Conditional Contribution</u>
Food distribution	\$ 8,262	\$ 4,131	\$ 4,131
Food distribution	165,000	-	165,000
Food distribution	165,000	129,000	36,000
Food distribution	36,000	-	36,000
Food distribution	150,000	-	150,000
Food distribution	500	-	500
Food distribution/equipment installation	62,000	25,387	36,613
Pandemic costs and equipment	50,000	-	50,000
Food distribution/equipment installation	535,119	517,872	17,247
Food distribution	715,746	47,225	668,521
Food distribution/equipment installation	<u>80,000</u>	<u>73,860</u>	<u>6,140</u>
	<u>\$ 1,967,627</u>	<u>\$ 797,475</u>	<u>\$ 1,170,152</u>

The Food Bank has elected to not disclose conditional contributions present at September 30, 2019, as this information is not considered useful or relevant at year end.

Note 12 – Contingencies

The Food Bank participates in a number of federal, state and locally assisted grant programs. In accordance with the Uniform Guidance, compliance audits of federal grants were made during the current year and have been reported under a separate cover. However, specific grantors have yet to make final approval of expenditures that may be disallowed by the grantor agencies. Management believes that such amounts, if any, to be immaterial.

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Note 13 – Pension Plan

The Food Bank maintains a 401(k) profit sharing pension plan. Employees are eligible to participate at the semiannual entrance date after one year of service and attainment of 21 years of age. The plan allows for discretionary contributions by the Food Bank plus matching contributions up to 10% of employee compensation. The Food Bank's contribution amounted to \$ 199,980 and \$ 219,138 for 2020 and 2019, respectively.

Note 14 – Coronavirus Pandemic

As a result of the global coronavirus pandemic of 2020, many Food Banks' financial picture has seen an unanticipated change. The full impact of the pandemic continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Food Bank's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation and its impact on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Food Bank is not able to estimate the effects of the pandemic on its results of operations, financial condition, or liquidity into the future.

Overall, the Food Bank was not negatively impacted financially for 2019-2020. Although distribution was at an all-time high, there was an influx of special funding, increased commodities donated, and increased contributions to help meet this demand.

Although the Food Bank cannot estimate the length or gravity of the impact of the pandemic at this time, the evolution of the pandemic may have an adverse effect on the Food Bank's results of future

Note 15 – Subsequent Events

Subsequent to year end, the Food Bank received notification that the PPP loan was forgiven in full by the SBA.