

**Food Bank of South Central Michigan, Inc.**

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**Financial Statements  
Years Ended December 31, 2016 and 2015**

**FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**Food Bank of South Central Michigan, Inc.**

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**Financial Statements**  
**Years Ended December 31, 2016 and 2015**

# Food Bank of South Central Michigan, Inc.

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**FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**Report of Independent Accountants**

To the Board of Directors  
Food Bank of South Central Michigan, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Food Bank of South Central Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 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 South Central Michigan, Inc. as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

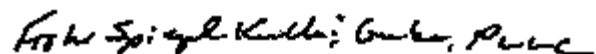
## Other Matters

### Other Information

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2017, on our consideration of Food Bank of South Central Michigan, Inc.'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 Food Bank of South Central Michigan, Inc.'s internal control over financial reporting and compliance.



FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan  
May 1, 2017

# Food Bank of South Central Michigan, Inc.

## Statement of Financial Position

December 31,	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$1,017,389	\$1,395,689
Certificates of deposit	1,002,534	501,963
Accounts receivable	134,925	265,078
Grant receivable	12,500	12,500
United Way receivable	116,750	90,202
Grants receivable - community foundations	44,078	41,335
Interest receivable	600	600
Beneficial interest in assets held by community foundations (Note 6)	24,909	22,047
Inventory - Donated (Note 3)	679,910	499,470
Inventory - USDA (Note 3)	377,200	242,949
Inventory - Purchased	176,911	211,646
Employee advance	3,973	0
Prepaid expenses	20,395	37,069
Total current assets	3,612,074	3,320,548
<b>Grant receivable - long term</b>	0	8,000
<b>Beneficial interest in assets held by community foundations (Note 6)</b>	70,447	65,624
<b>Investments (Note 2)</b>	909,553	817,896
<b>Fixed assets, net (Note 4)</b>	1,159,169	1,359,633
<b>Total assets</b>	<b>\$5,751,243</b>	<b>\$5,571,701</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 70,508	\$ 56,227
Accrued vacation	24,773	20,859
Accrued payroll	40,827	35,464
Other accrued expenses	6,555	1,275
Deferred revenue	513,157	532,980
Total current liabilities	655,820	646,805
<b>Net Assets</b>		
Unrestricted	4,728,305	4,541,638
Temporarily restricted (Note 1)	367,118	383,258
Total net assets	5,095,423	4,924,896
<b>Total liabilities and net assets</b>	<b>\$5,751,243</b>	<b>\$5,571,701</b>

# Food Bank of South Central Michigan, Inc.

## Statement of Activities Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Products donated and distributed:</b>			
USDA	\$ 2,341,371	\$ 0	\$ 2,341,371
In kind contributions (Note 3)	11,746,129	0	11,746,129
<b>Less: value of products distributed:</b>			
USDA	(2,207,120)	0	(2,207,120)
In-kind contributions	(11,565,688)	0	(11,565,688)
<b>Excess of products distributed over products donated</b>	<b>314,692</b>	<b>0</b>	<b>314,692</b>
<b>Support, revenue, and reclassifications:</b>			
United Way	202,935	0	202,935
Donations and grants	1,169,491	336,137	1,505,628
Food Bank Council of Michigan	209,267	0	209,267
Fund raising	37,950	0	37,950
Program service fees	904,288	0	904,288
Interest/dividend income	48,466	0	48,466
Unrealized gain/(loss) on investments (Note 2)	49,714	0	49,714
Realized gain/(loss) on investments (Note 2)	0	0	0
Change in beneficial interest	7,685	0	7,685
Miscellaneous	2,484	0	2,484
<b>Net assets released from restrictions</b>	<b>352,277</b>	<b>(352,277)</b>	<b>0</b>
<b>Total support, revenue, and reclassifications</b>	<b>2,984,557</b>	<b>(16,140)</b>	<b>2,968,417</b>
<b>Expenses:</b>			
Program operations	2,780,546	0	2,780,546
Management and general	332,036	0	332,036
<b>Total expenses</b>	<b>3,112,582</b>	<b>0</b>	<b>3,112,582</b>
<b>Change in net assets</b>	<b>186,667</b>	<b>(16,140)</b>	<b>170,527</b>
<b>Net assets, at beginning of year</b>	<b>4,541,638</b>	<b>383,258</b>	<b>4,924,896</b>
<b>Net assets, at end of year</b>	<b>\$ 4,728,305</b>	<b>\$ 367,118</b>	<b>\$ 5,095,423</b>

# Food Bank of South Central Michigan, Inc.

## Statement of Activities Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Products donated and distributed:</b>			
USDA	\$ 2,107,744	\$ 0	\$ 2,107,744
In kind contributions (Note 3)	10,134,103	0	10,134,103
<b>Less: value of products distributed:</b>			
USDA	(2,103,436)	0	(2,103,436)
In-kind contributions	(10,275,784)	0	(10,275,784)
<b>Excess of products distributed over products donated</b>	<b>(137,373)</b>	<b>0</b>	<b>(137,373)</b>
<b>Support, revenue, and reclassifications:</b>			
United Way	128,596	0	128,596
Donations and grants	1,403,244	225,055	1,628,299
Food Bank Council of Michigan	190,115	0	190,115
Fund raising	59,899	0	59,899
Program service fees	953,128	0	953,128
Interest/dividend income	42,273	0	42,273
Unrealized gain/(loss) on investments (Note 2)	(50,039)	0	(50,039)
Realized gain/(loss) on investments (Note 2)	(11,083)	0	(11,083)
Change in beneficial interest	(2,381)	0	(2,381)
Miscellaneous	944	0	944
<b>Net assets released from restrictions</b>	<b>396,526</b>	<b>(396,526)</b>	<b>0</b>
<b>Total support, revenue, and reclassifications</b>	<b>3,111,222</b>	<b>(171,471)</b>	<b>2,939,751</b>
<b>Expenses:</b>			
Program operations	2,981,275	0	2,981,275
Management and general	293,348	0	293,348
<b>Total expenses</b>	<b>3,274,623</b>	<b>0</b>	<b>3,274,623</b>
<b>Change in net assets</b>	<b>(300,774)</b>	<b>(171,471)</b>	<b>(472,245)</b>
<b>Net assets, at beginning of year</b>	<b>4,842,412</b>	<b>554,729</b>	<b>5,397,141</b>
<b>Net assets, at end of year</b>	<b>\$ 4,541,638</b>	<b>\$ 383,258</b>	<b>\$ 4,924,896</b>



# Food Bank of South Central Michigan, Inc.

## Statement of Functional Expenses Year Ended December 31, 2016

	Program Operations	Management and General	Total
<b>Operating expenses</b>			
Salaries	\$ 789,507	\$ 191,173	\$ 980,680
Payroll taxes and benefits (Note 5)	244,759	24,937	269,696
Total payroll related expenses	1,034,266	216,110	1,250,376
Food - purchased	1,043,940	0	1,043,940
Outside services	36,710	12,158	48,868
Professional fees	0	16,364	16,364
Supplies and office	12,878	19,305	32,183
Telephone and internet	0	9,399	9,399
Postage and shipping	19,950	910	20,860
Utilities	62,784	0	62,784
Transportation and travel	202,775	1,419	204,194
Conferences and meetings	7,996	0	7,996
Membership dues	36,125	0	36,125
Miscellaneous	144	6,830	6,974
Maintenance	84,091	6,842	90,933
Insurance	15,691	0	15,691
Grant expenditures	9,571	984	10,555
Fund raising	0	27,273	27,273
Total operating expenses before depreciation	2,566,921	317,594	2,884,515
Depreciation	202,667	25,400	228,067
Total operating expenses	\$ 2,769,588	\$ 342,994	\$3,112,582

# Food Bank of South Central Michigan, Inc.

## Statement of Functional Expenses Year Ended December 31, 2015

	Program Operations	Management and General	Total
<b>Operating expenses</b>			
Salaries	\$ 724,481	\$ 138,556	\$ 863,037
Payroll taxes and benefits (Note 5)	244,076	28,570	272,646
Total payroll related expenses	968,557	167,126	1,135,683
Food - purchased	1,224,191	0	1,224,191
Outside services	50,233	9,159	59,392
Professional fees	0	14,300	14,300
Supplies and office	8,303	18,802	27,105
Telephone and internet	0	9,628	9,628
Postage and shipping	113,531	2,052	115,583
Utilities	62,623	0	62,623
Transportation and travel	191,388	1,448	192,836
Conferences and meetings	9,759	3,829	13,588
Membership dues	31,418	0	31,418
Miscellaneous	1,000	5,909	6,909
Maintenance	84,116	1,453	85,569
Insurance	13,050	0	13,050
Grant expenditures	9,687	7,962	17,649
Fund raising	0	25,015	25,015
Total operating expenses before depreciation	2,767,856	266,683	3,034,539
Depreciation	213,419	26,665	240,084
Total operating expenses	\$ 2,981,275	\$ 293,348	\$3,274,623

# Food Bank of South Central Michigan, Inc.

## Statement of Cash Flows

Years ended December 31,	2016	2015
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 170,527	\$ (472,245)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	228,067	240,083
Loss (gain) on sale of assets	0	11,083
Unrealized (gain) loss on investments	(49,714)	49,796
Change in beneficial interest in assets	(7,685)	2,381
(Increase) decrease in:		
Accounts and United Way receivables	103,605	172,311
Grants receivable - community foundations	(2,743)	(4,457)
Grant receivable	8,000	(8,500)
Inventory	(279,956)	97,755
Employee advance	(3,973)	0
Prepaid expenses	16,674	(22,899)
Increase (decrease) in:		
Accounts payable	14,281	(994)
Accrued vacation	3,914	2,574
Accrued payroll	5,363	(8,147)
Other accrued expenses	5,280	(5,175)
Deferred revenue	(19,823)	123,966
Net cash provided by operating activities	191,817	177,532
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(27,603)	(153,026)
Redemption (purchase) of certificates of deposits	(500,571)	499,888
Purchase of investments	(41,943)	(33,723)
Net cash provided by (used in) investing activities	(570,117)	313,139
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(378,300)</b>	<b>490,671</b>
<b>Cash and cash equivalents, at beginning of year</b>	<b>1,395,689</b>	<b>905,018</b>
<b>Cash and cash equivalents, at end of year</b>	<b>\$1,017,389</b>	<b>\$1,395,689</b>

# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

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1. **Nature of Entity and Significant Accounting Policies**

Statement of Purpose - Food Bank of South Central Michigan, Inc. (the "Organization") purpose is to glean, collect, warehouse and facilitate the distribution of food, to have the right to receive donations for the purpose of adequately conducting and maintaining such facilities and to purchase, manage, own, lease or rent facilities that may be necessary or convenient for the purpose of operation as a community food bank. The Organization charges a shared maintenance fee for food distributed to other non-profit agencies within south central Michigan. Shared maintenance fees are based on the operating costs of the food bank and are charged on a per pound basis.

The Organization does not require any collateral on its accounts receivable from member agencies throughout south central Michigan.

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

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents - The Organization considers its investments in money market funds and certificates of deposit to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Fixed Assets - Fixed assets are recorded at cost or at the value at the time of donation, less accumulated depreciation, which is computed using the straight-line method over the following estimated useful lives:

Vehicles	5-7 years
Furniture and equipment	3-10 years
Building	31.5 years
Land improvements	15 years

# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

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1. **Nature of Entity and Significant Accounting Policies - Continued**

Costs of maintenance and repairs are charged to expense when incurred; renewals and improvements greater than \$1,000 are capitalized. The cost and related accumulated depreciation of equipment sold or otherwise retired are removed from the accounts and related gains or losses are reflected in income.

Tax Status - The Organization is exempt from federal income taxes as a non-profit organization under the Internal Revenue Code Section 501(c)(3) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Tax returns remain statutorily open for review by tax authorities.

Donated Services - No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, volunteers donated many hours of service during the years ended December 31, 2016 and 2015 to the operation of the Organization including organizational mailings, packing of groceries, and other miscellaneous services.

Affiliated Organizations - The Organization is a certified affiliate of Feeding America, a national network of food banks throughout the country, and is affiliated with the Food Bank Council of Michigan, an organization that supports member food banks through funding and food allocation. The Organization receives a substantial amount of its food from Feeding America (45% and 40% in 2016 and 2015, respectively) and Food Bank Council of Michigan (14% and 14% in 2016 and 2015, respectively), at minimal cost which is distributed to other organizations for a service fee. Additionally, the Organization receives substantial support from various United Ways.

As an affiliate of Feeding America, the Organization is required to maintain a reserve fund equal to or greater than 25% of annual operating expenses.

Related Party - The Organization hired the finance director's father as a utility truck driver. Total payments for services were \$14,345 in 2016.

Uninsured Cash Balances - The Organization has bank deposits in excess of the limits insured through the Federal Depository Insurance Company of \$514,770 and \$394,527 at December 31, 2016 and 2015, respectively.

Deferred Revenue - Deferred revenue consists of funds received by the Organization for future food distributions for specific member agencies.

# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

**1. Nature of Entity and Significant Accounting Policies - Continued**

Temporarily Restricted Net Assets - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The temporarily restricted net assets are restricted as follows:

December 31,	2016	2015
Childhood Hunger and backpack program	\$ 107,900	\$ 121,003
Giving Garden	2,799	2,858
Fresh food initiative	3,750	29,800
Food purchases	20,885	17,857
Warehouse improvements and transportation	115,032	49,827
For subsequent years' operating/program expenses	116,752	90,202
MIFBAN	0	71,711
	<u>\$ 367,118</u>	<u>\$ 383,258</u>

Subsequent Events - Subsequent events have been evaluated through May 1, 2017, which is the date the financial statements were available to be issued.

**2. Investments**

Investments - Investments are valued at market as determined by stock market quotations and by savings bond redemption values at December 31, 2016 and 2015. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

### 2. Investments - Continued

The major types of investments are as follow s:

December 31, 2016	Market Value	Cost
United States Savings		
Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	907,553	653,985
	<u>\$ 909,553</u>	<u>\$ 655,985</u>
December 31, 2015	Market Value	Cost
United States Savings		
Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	815,896	612,311
	<u>\$ 817,896</u>	<u>\$ 614,311</u>

All investments are considered long term and are held to earn investment income. All investment income, realized and unrealized gains (losses), are shown as unrestricted in the Statement of Activities as all investments are unrestricted.

### 3. Inventory

Inventory includes food items that were purchased at cost and donated product valued at a per pound rate as determined by Feeding America at the national level on a first-in first-out (FIFO) basis.

Donated product and inventory are valued in accordance with FASB Accounting Standard Codification 958, NPO Entities. In kind contributions includes donated product in the amount of \$11,746,129 and \$10,134,103 for 2016 and 2015, based primarily on \$1.67 and \$1.70 per pound value, respectively. Donated USDA product is valued at published values per pound. At December 31, 2016 and 2015, donated inventory values are \$679,910 and \$499,470, and was primarily valued at \$1.67 and \$1.70 per pound, respectively. Increases and decreases in inventory levels may have a significant impact on the net increase (decrease) of the Organization's net assets.

# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

### 4. Fixed Assets

Fixed assets are comprised of the following:

December 31,	2016	2015
Land	\$ 10,000	\$ 10,000
Land improvements	72,630	72,630
Building	1,625,108	1,625,108
Furniture and equipment	886,045	890,323
Vehicles	817,307	817,307
	3,411,090	3,415,368
Less - accumulated depreciation	(2,251,921)	(2,055,735)
	<u>\$ 1,159,169</u>	<u>\$ 1,359,633</u>

### 5. Defined Contribution Plan

The Organization has a defined contribution 403(b) plan covering full time employees over age 21 who have attained 1,000 hours of service within a twelve month period. Contributions are made at a percent determined annually by the Board of each employee's gross annual pay. For the years ended December 31, 2016 and 2015, the Organization's contribution rate was 4%. For 2016 and 2015, the board approved a match of 100% for those employees deferring up to 6% of their wages. Contributions totaled \$46,586 and \$38,461 for the years ended December 31, 2016 and 2015, respectively.

### 6. Beneficial Interest in Assets Held by Community Foundations

Beneficial interest in assets represents pooled fund investments with community foundations. The pooled funds consist of mutual funds, corporate stocks and bonds, U.S. government securities, and other investments.

Beneficial interest results when a nonprofit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund. The foundation maintains unilateral variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets and offsetting liabilities of the foundation. Funds are distributed based on spending rate policies. In accordance with FASB Accounting Standards Codification 958-605, Transfers of Assets to a NPO or Charitable Trust that Raises or Holds Contributions for Others, an asset has been established for the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Organization. Beneficial interest in assets is comprised of the following:



# Food Bank of South Central Michigan, Inc.

## Notes to Financial Statements

**6. Beneficial Interest in Assets Held by Community Foundations - Continued**

December 31,	2016	2015
Funds held at Battle Creek Community Foundation	\$34,118	\$32,095
Funds held at Kalamazoo Community Foundation	52,380	47,000
Funds held at Jackson Community Foundation	8,858	8,576
	\$95,356	\$87,671
December 31,	2016	2015
Beginning of year balance	\$87,671	\$90,052
Contributions	0	0
Net investment earnings, gains, and losses	8,415	(1,667)
Grants or scholarships	0	0
Administrative expenses	(730)	(714)
	\$95,356	\$87,671

**7. Endowment Funds**

The Organization has endowment funds administered by various community foundations. These funds are irrevocably invested and are managed by the foundations for a fee. The principal balances, including accumulated earnings of these funds at December 31, 2016 and 2015 amounted to \$87,467 and \$83,002, respectively. The foundations have variance power over the donor designated funds and may, at their discretion vary the purpose, use or method of administration of the funds. Earnings on these funds, as determined by the foundations, are available annually for distribution to the Organization for operations, at the discretion of the foundations, and therefore, are not reflected in the Organization's financial statements until available for distribution.

**8. Fair Value Measurements**

Fair values of assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

December 31, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
U.S. Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	907,553	907,533
Total	\$ 909,553	\$ 909,533
December 31, 2015		
U.S. Savings Bonds, Series EE	\$ 2,000	\$ 2,000
Mutual funds	815,896	815,896
Total	\$ 817,896	\$ 817,896

Fair values for short-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

# **Food Bank of South Central Michigan, Inc.**

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**Federal Financial Assistance Programs  
Supplemental Information for the  
Year Ended December 31, 2016**

**Food Bank of South Central Michigan, Inc.**

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**Federal Financial Assistance Programs  
Supplemental Information for the  
Year Ended December 31, 2016**

# Food Bank of South Central Michigan, Inc.

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**FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.**  
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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***

To the Board of Directors  
Food Bank of South Central Michigan, 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 Food Bank of South Central Michigan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 May 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Food Bank of South Central Michigan, Inc.'s internal control over financial reporting (Internal Control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Food Bank of South Central Michigan, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of the internal control over financial reporting 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.

Board of Directors  
Food Bank of South Central Michigan, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Food Bank of South Central Michigan, Inc.'s financial statements are free of 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 determination of financial statement amounts. 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.



FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan  
May 1, 2017

FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Food Bank of South Central Michigan, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Food Bank of South Central Michigan, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each Food Bank of South Central Michigan, Inc.'s major federal programs for the year ended December 31, 2016. Food Bank of South Central Michigan, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Food Bank of South Central Michigan, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Food Bank of South Central Michigan, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Food Bank of South Central Michigan, Inc.'s compliance.

Board of Directors  
Food Bank of South Central Michigan, Inc.

### **Opinion on Each Major Federal Program**

In our opinion, Food Bank of South Central Michigan, Inc. compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of Food Bank of South Central Michigan, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Food Bank of South Central Michigan, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Food Bank of South Central Michigan, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Food Bank of South Central Michigan, Inc. as of and for the year ended December 31, 2016, and have issued our report thereon dated May 1, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule



Board of Directors  
Food Bank of South Central Michigan, Inc.

of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.

Battle Creek, Michigan  
May 1, 2017

**Food Bank of South Central Michigan, Inc.**

**Schedule of Expenditures of Federal Awards (SEFA)  
Year ended December 31, 2016**

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FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE/GRANT PROJECT NUMBER	FEDERAL CFDA NUMBER	APPROVED AWARD AMOUNT	INVENTORY AT 1/01/16	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	INVENTORY AT 12/31/16
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through the Food Bank Council of Michigan						
Emergency Food Assistance Program (TEFAP)						
Food Commodities	10.569	\$2,341,371	\$242,949	\$2,341,371	\$2,207,120	\$377,200
		\$2,341,371	\$242,949	\$2,341,371	\$2,207,120	\$377,200

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# Food Bank of South Central Michigan, Inc.

## Notes to Schedule of Expenditures of Federal Awards Year ended December 31, 2016

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**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Food Bank of South Central Michigan, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Food Bank of South Central Michigan, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Food Bank of South Central Michigan, Inc. Organization.

**Note B - Summary of Significant  
Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Food Bank of South Central Michigan, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note C - Pass Through Entities**

The Organization receives certain federal grants as subawards from non-federal entities. Pass-through entities, when applicable, have been identified in the schedule.

# Food Bank of South Central Michigan, Inc.

Schedule of Findings and Questioned Costs  
Year ended December 31, 2016

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## I. Summary of Auditor's Results

- (1) Food Bank of South Central Michigan, Inc. received an unmodified opinion on the December 31, 2016 financial statements that were prepared in accordance with GAAP.
- (2) No significant deficiencies or material weaknesses relating to the audit of the financial statements.
- (3) The audit did not disclose any noncompliance that may be material to the financial statements.
- (4) No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with Uniform Guidance.
- (5) An unqualified opinion was issued on compliance for the major program.
- (6) There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a).
- (7) Emergency Food Assistance Program (TEFAP) Food Commodities (CFDA 10.569) was considered a major program.
- (8) The threshold to distinguish between type A and B was \$750,000.
- (9) Food Bank of South Central Michigan, Inc. does qualify as a low risk auditee.
- (10) The schedule was prepared on the accrual basis.

# Food Bank of South Central Michigan, Inc.

Schedule of Findings and Questioned Costs  
Year ended December 31, 2016

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**II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with GAGAS - Continued**

No findings.

**III. Findings and Questioned Costs for Major Federal Award Programs Audit**

None.

**FISHER SPIEGEL KUNKLE & GERBER, P.L.L.C.**  
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May 1, 2017

**COMMUNICATION WITH THOSE  
CHARGED WITH GOVERNANCE**

To the Senior Management and  
The Board of Directors of Food Bank of South Central Michigan, Inc.

We have audited the financial statements of the Food Bank of South Central Michigan, Inc. (the "Organization") for the year ended December 31, 2016, and have issued our report thereon dated May 1, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Governmental Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 1, 2016. Professional Standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted in 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 1, 2017.

***Management Consultations with Other Independent Accountants***

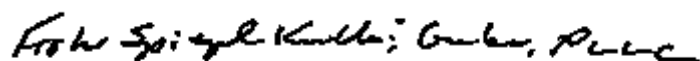
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Food Bank of South Central Michigan, Inc. Board of Directors, and Senior Management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**Food Bank of South Central Michigan, Inc.**

**Uncorrected Financial Statement Misstatements**

	Dr.	Cr.	Net Asset Impact Increase (Decrease)
Repairs and maintenance	\$ 5,036		
Accounts payable		\$ 5,036	\$ (5,036)
Record invoices in transit at year end.			
			<u>\$ (5,036)</u>