

SOUTH MICHIGAN FOOD BANK

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Years Ended December 31, 2023 and 2022

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Michigan Food Bank
Battle Creek, Michigan

Opinion

We have audited the accompanying financial statements of South Michigan Food Bank (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Michigan Food Bank as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Michigan Food Bank and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about South Michigan Food Bank's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 South Michigan Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Michigan Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were 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 28, 2024, on our consideration of South Michigan Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 South Michigan Food Bank's internal control over financial reporting and compliance.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
May 28, 2024

South Michigan Food Bank
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,134,933	\$ 591,200
Accounts receivable	239,512	495,377
Grants receivable	120,393	158,065
Inventory	1,051,414	693,071
Prepaid expenses	72,428	53,489
Total Current Assets	<u>2,618,680</u>	<u>1,991,202</u>
Property and Equipment		
Land and improvements	82,630	82,630
Building and improvements	2,117,391	2,120,391
Equipment, furniture, and fixtures	1,048,387	1,146,284
Vehicles	893,379	963,303
Construction in progress	-	7,500
Total Property and Equipment	<u>4,141,787</u>	<u>4,320,108</u>
Accumulated depreciation	<u>(2,833,927)</u>	<u>(2,820,540)</u>
Net Property and Equipment	<u>1,307,860</u>	<u>1,499,568</u>
Other Assets		
Beneficial interest in assets held by community foundations	138,160	122,582
Investments	2,800,360	2,872,418
Right-of-use lease assets, net of amortization	91,620	-
Total Other Assets	<u>3,030,140</u>	<u>2,995,000</u>
Total Assets	<u>\$ 6,956,680</u>	<u>\$ 6,485,770</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 45,519	\$ 85,286
Accrued payroll and related liabilities	66,185	57,097
Other accrued expenses	-	4,015
Current portion of lease liabilities	23,485	-
Total Current Liabilities	<u>135,189</u>	<u>146,398</u>
Long-term Liabilities		
Long-term lease liabilities, net of current portion	<u>68,135</u>	<u>-</u>
Total Liabilities	<u>203,324</u>	<u>146,398</u>
Net Assets		
Net assets without donor restrictions	6,190,865	5,376,878
Net assets with donor restrictions	562,491	962,494
Total Net Assets	<u>6,753,356</u>	<u>6,339,372</u>
Total Liabilities and Net Assets	<u>\$ 6,956,680</u>	<u>\$ 6,485,770</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenue			
Food products received by:			
Governmental grants	\$ 5,415,884	\$ -	\$ 5,415,884
In-kind contributions	12,291,614	-	12,291,614
Other revenues:			
Contributions and grants	1,882,729	382,454	2,265,183
United Way	101,173	59,500	160,673
Food Bank Council of Michigan	518,719	-	518,719
Program service fees	1,504,310	-	1,504,310
Special events	37,649	-	37,649
Investment income	102,568	-	102,568
Market valuation changes in investments	264,362	-	264,362
Changes in beneficial interests	24,187	-	24,187
Miscellaneous	4,627	-	4,627
Total Support and Other Revenue	<u>22,147,822</u>	<u>441,954</u>	<u>22,589,776</u>
Net assets released from restrictions	841,957	(841,957)	-
Total Support, Other Revenue, and Reclassifications	<u>22,989,779</u>	<u>(400,003)</u>	<u>22,589,776</u>
Expenses			
Program services	21,065,317	-	21,065,317
Support services:			
Management and general	594,662	-	594,662
Fundraising	515,813	-	515,813
Total Expenses	<u>22,175,792</u>	<u>-</u>	<u>22,175,792</u>
Change in Net Assets	813,987	(400,003)	413,984
Net Assets at Beginning of Year	<u>5,376,878</u>	<u>962,494</u>	<u>6,339,372</u>
Net Assets at End of Year	<u>\$ 6,190,865</u>	<u>\$ 562,491</u>	<u>\$ 6,753,356</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Other Revenue			
Food products received by:			
Governmental grants	\$ 4,264,598	\$ -	\$ 4,264,598
In-kind contributions	12,755,512	-	12,755,512
Other revenues:			
Contributions and grants	1,262,694	640,293	1,902,987
United Way	135,003	98,020	233,023
Food Bank Council of Michigan	583,059	-	583,059
Program service fees	1,682,472	-	1,682,472
Special events	42,974	-	42,974
Investment income	99,647	-	99,647
Market valuation changes in investments	(491,838)	-	(491,838)
Changes in beneficial interests	(22,086)	-	(22,086)
Miscellaneous	3,670	-	3,670
Total Support and Other Revenue	<u>20,315,705</u>	<u>738,313</u>	<u>21,054,018</u>
Net assets released from restrictions	979,998	(979,998)	-
Total Support, Other Revenue, and Reclassifications	<u>21,295,703</u>	<u>(241,685)</u>	<u>21,054,018</u>
Expenses			
Program services	21,048,533	-	21,048,533
Support services:			
Management and general	608,735	-	608,735
Fundraising	649,757	-	649,757
Total Expenses	<u>22,307,025</u>	<u>-</u>	<u>22,307,025</u>
Change in Net Assets	(1,011,322)	(241,685)	(1,253,007)
Net Assets at Beginning of Year	<u>6,388,200</u>	<u>1,204,179</u>	<u>7,592,379</u>
Net Assets at End of Year	<u>\$ 5,376,878</u>	<u>\$ 962,494</u>	<u>\$ 6,339,372</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Bank fees	\$ -	\$ 5,869	\$ 8	\$ 5,877
Communications	11,040	2,370	1,206	14,616
Conferences and meetings	2,083	3,433	10	5,526
Depreciation	214,263	18,139	-	232,402
Dues and subscriptions	4,698	43,889	524	49,111
Food distribution from:				
Direct purchases	1,637,545	-	-	1,637,545
Governmental grants	4,916,584	-	-	4,916,584
In-kind contributions	12,398,461	-	-	12,398,461
Insurance	43,762	12,992	11,624	68,378
Licenses	2,366	-	-	2,366
Maintenance	209,384	8,099	-	217,483
Marketing and communications	-	-	63,647	63,647
Miscellaneous	10,562	1,773	272	12,607
Office supplies	1,782	3,035	170	4,987
Outside services	61,632	44,833	11,139	117,604
Payroll:				
Salaries	943,554	280,851	241,515	1,465,920
Employee benefits	217,587	64,596	57,796	339,979
Payroll taxes	72,217	21,440	19,183	112,840
Postage and shipping	14,667	782	3,715	19,164
Professional fees	7,453	54,397	65,514	127,364
Program supplies	116,765	2,188	340	119,293
Special events	-	-	18,584	18,584
Travel and transportation	108,355	5,030	1,825	115,210
Utilities	70,557	20,946	18,741	110,244
Total Expenses	\$ 21,065,317	\$ 594,662	\$ 515,813	\$ 22,175,792

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management & General	Fundraising	Total Expenses
Bank fees	\$ 4,204	\$ 1,192	\$ 878	\$ 6,274
Communications	8,882	2,519	1,856	13,257
Conferences and meetings	2,427	688	507	3,622
Depreciation	216,066	34,788	-	250,854
Dues and subscriptions	38,339	10,814	-	49,153
Food distribution from:				
Direct purchases	1,651,850	-	-	1,651,850
Governmental grants	4,648,135	-	-	4,648,135
In-kind contributions	12,639,917	-	-	12,639,917
Insurance	40,778	11,564	8,521	60,863
Licenses	2,306	1,136	-	3,442
Maintenance	133,442	37,842	27,883	199,167
Marketing and communications	-	-	58,042	58,042
Miscellaneous	4,648	1,318	971	6,937
Office supplies	4,153	1,178	868	6,199
Outside services	84,207	23,880	17,596	125,683
Payroll:				
Salaries	956,343	271,202	199,833	1,427,378
Employee benefits	224,466	63,655	46,903	335,024
Payroll taxes	75,155	21,312	15,704	112,171
Postage and shipping	3,229	3,231	2,339	8,799
Professional fees	-	60,126	184,280	244,406
Program supplies	120,166	34,077	25,109	179,352
Special events	-	-	40,082	40,082
Travel and transportation	116,905	7,536	3,149	127,590
Utilities	72,915	20,677	15,236	108,828
Total Expenses	\$ 21,048,533	\$ 608,735	\$ 649,757	\$ 22,307,025

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Statements of Cash Flows
For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 413,984	\$ (1,253,007)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Noncash food revenues and expenses		
Value of governmental grants	(5,415,884)	(4,264,598)
Distribution of governmental grants	4,916,584	4,648,135
Value of contributed food revenue	(12,291,614)	(12,755,512)
Distribution of contributed food	12,398,461	12,639,917
Depreciation expense	232,402	250,854
Unrealized (gain) loss on investments	(355,288)	361,460
Unrealized (gain) loss on beneficial interests	(15,578)	22,086
Loss on disposal of property and equipment	7,500	-
Changes in assets and liabilities which impacted cash and cash equivalents:		
Certificates of deposit	-	110,705
Accounts receivable	255,865	(276,726)
Grants receivable	37,672	(2,367)
Inventory	34,110	50,018
Prepaid expenses	(18,939)	(237)
Accounts payable	(39,767)	(4,086)
Accrued payroll and related liabilities	9,088	4,942
Other accrued expenses	(4,015)	4,015
Net Cash and Cash Equivalents Provided by (Used in) Operating Activities	<u>164,581</u>	<u>(464,401)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(48,194)	(32,080)
Proceeds from sale of investments	1,106,989	845,295
Purchase of investments	<u>(679,643)</u>	<u>(709,603)</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>379,152</u>	<u>103,612</u>
Net Change in Cash and Cash Equivalents	543,733	(360,789)
Cash and Cash Equivalents at Beginning of Year	<u>591,200</u>	<u>951,989</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,134,933</u>	<u>\$ 591,200</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE A – Summary of Significant Accounting Policies

Organization Purpose

The purpose of South Michigan Food Bank (the “Organization”) 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 distribution 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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general and not subject to donor (or certain grantor) restrictions.

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 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 Organization records donor-restricted cash contributions that are received and expended in the same year as revenue without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash is defined as cash in checking, savings, and money market accounts, and investments with an initial maturity of less than three months.

The Organization has accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash held by the Organization in bank accounts may at times exceed the FDIC coverage limit. The amount in excess of FDIC limits totaled approximately \$859,000 at December 31, 2023.

Accounts and Grants Receivable

Accounts and grants receivable are regularly assessed for collectability on a case-by-case basis. If amounts are determined to be uncollectible, they are charged against operations at that time. The Organization considers all receivables to be fully collectible as of December 31, 2023 and 2022; accordingly, no allowance for uncollectible accounts has been recorded. Additionally, no amounts were written off as bad debt expense during 2023 or 2022.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE A – Summary of Significant Accounting Policies (Continued)

Beneficial Interests in Assets Held By Community Foundations

The Organization has transferred funds to various community foundations as agency endowment funds. In accordance with generally accepted accounting principles, the Organization reports the total fair value of the funds as a beneficial interest on the statements of financial position and reports changes in value of the funds, including investment income, administrative fees, and unrealized valuation changes, in the statements of activities. See Note C for additional information.

The Organization has granted variance power to the community foundations which gives them the power to use the funds for other purposes in certain select circumstances, such as in the event that the Organization were to cease operations. Additionally, the funds are subject to the various foundations' investing and income distribution policies. The Organization generally does not have the ability to draw on the corpus of the funds.

Inventory

Inventory of purchased food is stated at the lower of cost or net realizable value, with cost determined on a first-in, first-out (FIFO) basis. Donated food inventory is valued annually at estimated fair value determined on a per-pound basis by utilizing national industry standards.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$5,000. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method over their useful lives which range from three to fifteen years.

Lease Accounting

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update 2016-02, "Leases (Topic 842)" ("ASU 2016-02") on January 1, 2022. The standard establishes a right-of-use model ("ROU") that requires a lessee to recognize an ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. See Note G for additional information.

Contributions

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE A – Summary of Significant Accounting Policies (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated professional services. The Organization pays for most services requiring specific expertise. However, volunteers donate many hours of services to the operation of the Organization including organizational mailings, packing of groceries, and other miscellaneous tasks.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, as calculated by either employee time and effort or by pounds of food distributed. The expenses that are allocated by time and effort include compensation and benefits, contracted services, and office-related expenses such as supplies, subscriptions, and travel. The expenses that are allocated by pounds of food distributed include program supplies, freight, and warehouse-related expenses such as depreciation, facilities costs, and repairs and maintenance. Utilities are allocated using the square footage of the warehouse and office. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

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. Each year, the Organization receives a substantial amount of its distributable food at minimal cost from Food Bank Council of Michigan and Feeding America.

As an affiliate of Feeding America, the Organization is required to maintain a reserve fund equal to or greater than 25 percent of annual operating expenses. The Organization was in compliance with this requirement for both 2023 and 2022.

Income Taxes

The Internal Revenue Service has determined the Organization to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Commitments and Contingencies

Grants may require the fulfillment of certain conditions set forth in the agreement. Failure to fulfill the conditions may result in the return of the funds to grantor. Although this is a possibility, the Board of Directors considers the possibility remote, since by accepting the grants, it has accommodated the objectives of the Organization to the provisions of the grants.

The Organization has participated in several federally assisted grant programs. These programs are subject to financial and compliance audits by the grantor or their representatives, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes that any liability for reimbursement that may arise as the result of these audits would not be material.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE A – Summary of Significant Accounting Policies (Continued)

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 report support, revenue and expenses. Actual results could differ from those estimates.

NOTE B – Liquidity and Availability

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following as of December 31:

	2023	2022
Cash and cash equivalents	\$ 1,134,933	\$ 591,200
Accounts receivable	239,512	495,377
Grants receivable	120,393	158,065
Total available assets	<u>1,494,838</u>	<u>1,244,642</u>
Less: Net assets with donor restrictions	(562,491)	(962,494)
Total assets available for operations	<u>\$ 932,347</u>	<u>\$ 282,148</u>

The Organization receives significant unrestricted contributions and restricted grants each year from donors, which are central to meet the annual cash needs for general expenditures. The Organization manages its liquidity and reserves in order to operate within a prudent range of financial soundness and stability and to fund near term and long-term needs utilizing budgets and monthly monitoring.

While management realizes there could be unanticipated liquidity needs, they believe that the financial assets in the table above are sufficient to meet operating needs within a minimum of one year of the statement of financial position date.

NOTE C – Inventory

Inventories at December 31 include the following:

	2023	2022
Purchased inventory	\$ 65,378	\$ 99,488
In-kind contributions	334,288	441,135
Received from USDA	651,748	152,448
Balance at December 31	<u>\$ 1,051,414</u>	<u>\$ 693,071</u>

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE D – Beneficial Interest Held at Community Foundations

Amounts shown as beneficial interest in assets held by community foundations represent funds held by outside parties wherein the Organization has specified itself as the beneficiary. Each fund is an organizational endowment maintained for the organizational support for South Michigan Food Bank.

Beneficial interest in assets is comprised of the following as of December 31:

	2023	2022
Funds held at Battle Creek Community Foundation	\$ 41,248	\$ 37,885
Funds held at Kalamazoo Community Foundation	83,462	72,843
Funds held at Jackson Community Foundation	13,450	11,854
Financial assets - at December 31	<u>\$ 138,160</u>	<u>\$ 122,582</u>

The changes in the Organization’s beneficial interest in assets held at the community foundation were as follows for the years ended December 31:

	2023	2022
Beneficial Interest - Beginning of Year	\$ 122,582	\$ 144,668
Unrealized market gains (losses)	18,362	(19,218)
Current year activity:		
Withdrawals	(1,660)	(1,670)
Administrative fees	(1,124)	(1,198)
Beneficial interest - End of Year	<u>\$ 138,160</u>	<u>\$ 122,582</u>

NOTE E – Other Funds Held by Community Foundations

The previously mentioned community foundations maintain additional endowment funds for which the Organization has been named as a beneficiary organization. These endowments do not meet the requirements for the Organization to recognize its rights in a beneficial interest; accordingly, the assets are not recorded in the statements of financial position. These endowments were established to act as depositories for contributions received directly from donors intended to benefit the Organization. The fair value of these funds totaled \$166,731 and \$151,062 at December 31, 2023 and 2022, respectively.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE F – Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). In instances whereby inputs used to measure fair value fall into different levels of the hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Fair values determined by Level 3 inputs use other inputs that are not observable due to little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques which take into account the characteristic of the asset or liability.

The Organization's policy is to recognize transfers amongst the different levels of the fair value hierarchy as of the end of the reporting period. There were no transfers amongst the fair value classifications during 2023 or 2022.

The beneficial interest in assets held at the community foundations are not actively traded and significant other observable inputs are not available. Therefore the assets are classified as a level 3 as the Organization does not have a direct interest in the underlying assets. Therefore, the inputs considered in determining fair value are related to the value of the Organization's right to receive future distributions, as described in Note D.

The beneficial interest in assets held at the community foundations have been valued, as a practical expedient, at the fair value of the Organization's share of the community foundation's investment pool as of the measurement date. The community foundations value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the community foundations, which includes private placements and other securities for which prices are not readily available, are determined by the management of the community foundations and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The Organization's beneficial interest totaled \$138,160 and \$122,582 at December 31, 2023 and 2022, respectively. A reconciliation of the activities for these Level 3 financial instruments, including the components of the net return on investments, are included in Note D.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE F – Fair Value Measurements (Continued)

The following tables summarize the fair value of the Organization’s investments by the aforementioned valuation categories at December 31:

<u>Fair Value Measurements at December 31, 2023</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Prices with Other Observable Inputs (Level 2)</u>	<u>Prices with Unobservable Inputs (Level 3)</u>
Investments at Fair Value:				
Beneficial interests	\$ 138,160	\$ -	\$ -	\$ 138,160
Mutual funds	1,353,151	1,353,151	-	-
Stocks, options, and ETF's	1,445,209	1,445,209	-	-
U.S. Series EE Savings Bonds	2,000	2,000	-	-
Total investments at fair value	<u>\$ 2,938,520</u>	<u>\$ 2,800,360</u>	<u>\$ -</u>	<u>\$ 138,160</u>

<u>Fair Value Measurements at December 31, 2022</u>				
	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Prices with Other Observable Inputs (Level 2)</u>	<u>Prices with Unobservable Inputs (Level 3)</u>
Investments at Fair Value:				
Beneficial interests	\$ 122,582	\$ -	\$ -	\$ 122,582
Mutual funds	1,433,161	1,433,161	-	-
Stocks, options, and ETF's	1,437,257	1,437,257	-	-
U.S. Series EE Savings Bonds	2,000	2,000	-	-
Total investments at fair value	<u>\$ 2,995,000</u>	<u>\$ 2,872,418</u>	<u>\$ -</u>	<u>\$ 122,582</u>

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE G – Operating Leases

During the year ended December 31, 2023, the Organization entered into a 48-month noncancelable operating lease for the use of a vehicle through June 2027, requiring fixed monthly payments of \$2,674 plus variable mileage charges based on miles driven. Amounts recognized in the accompanying financial statements related to this lease as of December 31 are as follows:

	<u>2023</u>
Right-of-use asset	\$ 105,138
Accumulated amortization	<u>(13,518)</u>
Right-of-use assets, net book value	<u>\$ 91,620</u>
Remaining lease liability	<u>\$ 91,620</u>

Future undiscounted minimum lease payments under the operating lease at December 31, 2023 are as follows:

Payments scheduled for the year ending:

December 31, 2024	\$ 32,088
December 31, 2025	32,088
December 31, 2026	32,088
December 31, 2027	<u>13,370</u>
Total payments remaining	\$ 109,634
Less amount representing interest	(18,014)
Less current obligations	<u>(23,485)</u>
Long-term obligations under operating leases	<u>\$ 68,135</u>

The lease contract contains an implicit interest rate which is readily determinable. Accordingly, the Organization has applied the readily determinable interest rate of 10.6 percent (based on the terms and asset value stated in the lease agreement) to its calculation of net present value.

In addition to the operating lease described above, the Organization will periodically enter into short-term vehicle rental agreements. These costs are included in total lease expense but do not meet the requirements for classification on the Statements of Financial Position. Total lease expense approximated \$50,400 and \$200 for the years ended December 31, 2023 and 2022.

South Michigan Food Bank
Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE H – Net Assets with Donor Restrictions

The detail of net assets with donor restrictions at December 31 was as follows:

	2023	2022
Food purchases	\$ 44,846	\$ 142,771
Time restricted	59,500	98,021
Warehouse improvements and transportation	-	4,928
Agency credits	458,145	716,774
Total Net Assets With Donor Restrictions	\$ 562,491	\$ 962,494

NOTE I – Retirement 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. Matching contributions are made by the Organization as determined annually by the Board. For the years ended December 31, 2023 and 2022, the Organization matched 100 percent of participating employees' contributions, up to 6 percent of each individual's gross annual pay. Additionally, during the years ended December 31, 2023 and 2022, the Board approved a discretionary contribution to all participating employees of 4 percent of each employee's gross annual pay. Total employer contributions approximated \$91,900 and \$93,000 for the years ended December 31, 2023 and 2022, respectively.

NOTE J – Subsequent Events

Management has evaluated subsequent events through May 28, 2024, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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
South Michigan Food Bank

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 South Michigan Food Bank (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and changes in net assets, 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 28, 2024.

Report on 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 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 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 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 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 or significant deficiencies may exist that were not identified.

Report on 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.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
May 28, 2024

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
South Michigan Food Bank

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Michigan Food Bank's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *Uniform Guidance*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
May 28, 2024

**South Michigan Food Bank
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor / Pass Through Grantor / Program Title	Federal Assistance Listing Number	Pass-Through Entity Project Number	Federal Expenditures
U.S. Department of Agriculture			
Food Distribution Cluster:			
Passed through Food Bank Council of Michigan			
2022-2023 Commodity Supplemental Food Program (Administrative Costs)			
Commodity Supplemental Food Program	10.565	N/A	\$ 8,862
Total 2022-2023 Commodity Supplemental Food Program (Administrative Costs)			<u>8,862</u>
2022-2023 Emergency Food Assistance Program (Administrative Costs)			
The Emergency Food Assistance Program	10.568	212MI053Y8105	38,349
The Emergency Food Assistance Program (BBB)	10.568	212MI053Y8105	190,248
Total 2022-2023 Emergency Food Assistance Program (Administrative Costs)			<u>228,597</u>
2023-2024 Commodity Supplemental Food Program (Administrative Costs)			
Commodity Supplemental Food Program	10.565	N/A	50,218
Total 2023-2024 Commodity Supplemental Food Program (Administrative Costs)			<u>50,218</u>
2023-2024 Emergency Food Assistance Program (Administrative Costs)			
The Emergency Food Assistance Program	10.568	212MI053Y8105	134,705
The Emergency Food Assistance Program (CCC)	10.568	212MI053Y8105	84,378
Total 2023-2024 Emergency Food Assistance Program (Administrative Costs)			<u>219,083</u>
2023-2024 Emergency Food Assistance Program (Reimbursements)			
The Emergency Food Assistance Program (Local Food Purchase Assistance Cooperative)	10.568	212MI053Y8105	18,659
Farm to Food Bank Project Grant	10.568	212MI053Y8105	12,598
The Emergency Food Assistance Program (reach & resiliency grant)	10.568	N/A	67,787
Total 2022-2023 Emergency Food Assistance Program (Reimbursements)			<u>99,044</u>
2022-2023 Commodity Supplemental Food Program (Food Commodities)			
Commodity Supplemental Food Program	10.565	N/A	256,609
Total 2022-2023 Commodity Supplemental Food Program (Food Commodities)			<u>256,609</u>
2022-2023 Emergency Food Assistance Program (Food Commodities)			
The Emergency Food Assistance Program	10.569	212MI053Y8105	1,747,916
The Emergency Food Assistance Program (CCC)	10.569	212MI053Y8105	670,696
Total 2022-2023 Emergency Food Assistance Program (Food Commodities)			<u>2,418,612</u>
2023-2024 Commodity Supplemental Food Program (Food Commodities)			
Commodity Supplemental Food Program	10.565	N/A	61,560
Total 2023-2024 Commodity Supplemental Food Program (Food Commodities)			<u>61,560</u>
2023-2024 Emergency Food Assistance Program (Food Commodities)			
The Emergency Food Assistance Program	10.569	212MI053Y8105	1,132,143
The Emergency Food Assistance Program (CCC)	10.569	212MI053Y8105	387,832
Total 2023-2024 Emergency Food Assistance Program (Food Commodities)			<u>1,519,975</u>
Total Food Distribution Cluster			<u><u>4,862,560</u></u>
Child Nutrition Cluster			
Passed through Food Bank Council of Michigan			
2022-2023 Supplemental Nutrition Assistance Program Outreach			
2023-2024 Supplemental Nutrition Assistance Program Outreach	10.561	N/A	10,597
	10.561	N/A	19,721
Total Child Nutrition Cluster			<u>30,318</u>
Total U.S. Department of Agriculture			<u>4,892,878</u>
U.S. Department of the Treasury			
Passed through City of Battle Creek			
2023 Coronavirus State and Local Fiscal Recovery Funds under ARPA			
	21.027	SLT-2685	429,678
Total U.S. Department of the Treasury			<u>429,678</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,322,556</u></u>

See Independent Auditor's Report and the Notes to the Schedule of Expenditures of Federal Awards.

South Michigan Food Bank
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

NOTE A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Organization under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B – Summary of Significant Accounting Policies

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. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

The Organization has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – Food Commodities

Nonmonetary assistance is reported based on the commodities received and disbursed. The value per pound is established by guidelines published by Feeding America, a nationally recognized food donation charity.

NOTE D – 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.

NOTE E – Subrecipients

No amounts were provided to subrecipients.

**South Michigan Food Bank
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness identified? *No*

Significant deficiency identified that is not considered to be a material weakness? *No*

Noncompliance material to financial statements noted? *No*

Federal Awards

Type of auditor's report issued on compliance for major programs: *Unmodified*

Internal control over major programs:

Material weakness identified? *No*

Significant deficiency identified that is not considered to be a material weakness? *No*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 500.516(a)? *No*

Major programs:

<u>FAL Number</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568, 10.569	Food Distribution Cluster

Dollar threshold used to distinguish between type A and type B programs: *\$750,000*

Auditee qualified as low-risk auditee? *Yes*

**South Michigan Food Bank
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**South Michigan Food Bank
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended December 31, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.