

**GLEANERS FOOD BANK OF INDIANA, INC.**

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT REPORTS**

**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

**GLEANERS FOOD BANK OF INDIANA, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Gleaners Food Bank of Indiana, Inc.  
Indianapolis, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Gleaners Food Bank of Indiana, Inc. (Gleaners) (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Gleaners' 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 Gleaners' 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 Gleaners as of September 30, 2019, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, management adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

**Other Matter**

The 2018 financial statements of Gleaners Food Bank of Indiana, Inc. were audited by other auditors whose report dated February 21, 2019 expressed an unmodified opinion on those statements.

**Report on Supplementary 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*, as listed in the table of contents, 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 January 16, 2020, on our consideration of Gleaners' 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 Gleaners' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
January 16, 2020

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 684,570	\$ 843,685
Accounts Receivable, Net	524,281	213,490
Grants Receivable	761,738	57,434
Contributions Receivable, at Fair Value	2,235,499	292,499
Inventories	8,392,097	4,860,493
Prepaid Expenses	67,844	91,193
Investments	9,829,150	9,878,542
Beneficial Interest in Assets Held by Community Foundation	477,997	239,070
Property and Equipment, Net	8,278,050	9,019,005
Total Assets	\$ 31,251,226	\$ 25,495,411
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,067,785	\$ 700,393
Accrued Expenses and Other Liabilities	420,806	423,365
Line of Credit	-	500,000
Note Payable	-	237,255
Total Liabilities	1,488,591	1,861,013
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	16,706,204	12,688,517
Board Designated	477,997	239,070
Total Without Donor Restrictions	17,184,201	12,927,587
With Donor Restrictions	12,578,434	10,706,811
Total Net Assets	29,762,635	23,634,398
Total Liabilities and Net Assets	\$ 31,251,226	\$ 25,495,411

See accompanying Notes to Financial Statements.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Government Grants and Contracts	\$ 1,283,390	\$ -	\$ 1,283,390
Shared Contributions	537,256	-	537,256
Gifts and Donations	5,451,741	4,765,278	10,217,019
Interest and Dividends	3,211	324,818	328,029
Purchased Food Sales	3,673,309	-	3,673,309
Miscellaneous Income	198,296	-	198,296
Donated Food Contributions	72,356,666	-	72,356,666
Net Assets Released from Restriction	3,144,263	(3,144,263)	-
Total Revenue, Support, and Gains	<u>86,648,132</u>	<u>1,945,833</u>	<u>88,593,965</u>
<b>EXPENSES AND LOSSES</b>			
Program Services:			
Food Distributions	8,872,358	-	8,872,358
Kids and Seniors	2,161,003	-	2,161,003
Total Program Services	<u>11,033,361</u>	<u>-</u>	<u>11,033,361</u>
Supporting Services:			
Management and General	781,546	-	781,546
Fundraising	2,207,751	-	2,207,751
Total Supporting Services	<u>2,989,297</u>	<u>-</u>	<u>2,989,297</u>
Donated Food Distributions	<u>68,390,499</u>	<u>-</u>	<u>68,390,499</u>
Total Expenses and Losses	<u>82,413,157</u>	<u>-</u>	<u>82,413,157</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER GAINS AND LOSSES</b>	4,234,975	1,945,833	6,180,808
Net Realized and Unrealized Gain (Loss) on Investments	-	(74,210)	(74,210)
Change in Fair Value of Beneficial Interest in Assets Held by Community Foundation	21,639	-	21,639
<b>CHANGE IN NET ASSETS</b>	4,256,614	1,871,623	6,128,237
Net Assets - Beginning of Year	<u>12,927,587</u>	<u>10,706,811</u>	<u>23,634,398</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 17,184,201</u>	<u>\$ 12,578,434</u>	<u>\$ 29,762,635</u>

See accompanying Notes to Financial Statements.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT, AND GAINS</b>			
Government Grants and Contracts	\$ 701,050	\$ -	\$ 701,050
Shared Contributions	395,664	-	395,664
Gifts and Donations	4,808,081	2,872,029	7,680,110
Interest and Dividends	6,067	151,378	157,445
Purchased Food Sales	3,400,763	-	3,400,763
Miscellaneous Income	68,303	-	68,303
Donated Food Contributions	52,966,549	-	52,966,549
Net Assets Released from Restrictions	3,193,706	(3,193,706)	-
Total Revenue, Support, and Gains	65,540,183	(170,299)	65,369,884
<b>EXPENSES AND LOSSES</b>			
Program Services:			
Food Distributions	8,227,392	-	8,227,392
Kids and Seniors	1,561,711	-	1,561,711
Total Program Services	9,789,103	-	9,789,103
Supporting Services:			
Management and General	658,102	-	658,102
Fundraising	2,510,157	-	2,510,157
Total Supporting Services	3,168,259	-	3,168,259
Donated Food Distributions	53,453,254	-	53,453,254
Total Expenses and Losses	66,410,616	-	66,410,616
<b>CHANGE IN NET ASSETS BEFORE OTHER GAINS AND LOSSES</b>	(870,433)	(170,299)	(1,040,732)
Net Realized and Unrealized Gain (Loss) on Investments	(28,625)	376,805	348,180
Change in Fair Value of Beneficial Interest in Assets Held by Community Foundation	8,646	-	8,646
<b>CHANGE IN NET ASSETS</b>	(890,412)	206,506	(683,906)
Net Assets - Beginning of Year	13,817,999	10,500,305	24,318,304
<b>NET ASSETS - END OF YEAR</b>	\$ 12,927,587	\$ 10,706,811	\$ 23,634,398

See accompanying Notes to Financial Statements.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	Program Services			Support Services		2019 Total	2018 Total
	Food Distribution Costs	Kids and Seniors	Total Program Services	Management and General	Fundraising		
Salaries and Wages	\$ 2,248,863	\$ 239,439	\$ 2,488,302	\$ 479,029	\$ 906,994	\$ 3,874,325	\$ 3,404,052
Payroll Taxes and Benefits	591,969	62,413	654,382	58,392	204,450	917,224	888,800
Fees for Services	19,625	179	19,804	45,549	978	66,331	51,470
Transportation	177,221	199,135	376,356	-	-	376,356	390,678
Warehouse Supplies	18,982	28,054	47,036	32	-	47,068	58,545
Supplies	67,850	14,298	82,148	9,934	2,912	94,994	97,410
Promotional and Professional Services	16,619	2,663	19,282	104,566	658,415	782,263	764,356
Postage	-	-	-	137	13,591	13,728	14,301
Computer	41,407	14,653	56,060	-	204,764	260,824	241,034
Equipment Rental and Maintenance	52,718	628	53,346	-	-	53,346	69,672
Occupancy	238,338	172,671	411,009	16,731	17,849	445,589	360,839
Telephone	22,854	3,134	25,988	22,043	5,732	53,763	60,422
Travel, Conferences, and Meetings	36,433	8,807	45,240	7,861	6,873	59,974	53,591
Special Events and Projects	170,658	2,277	172,935	999	170,022	343,956	228,772
Food Acquisition	2,762,385	1,355,446	4,117,831	-	-	4,117,831	3,963,759
Cost of Goods Sold	1,398,797	-	1,398,797	-	-	1,398,797	1,541,642
Noncash Expense	-	-	-	28,847	-	28,847	34,456
Interest Expense	-	-	-	3,460	-	3,460	11,323
Depreciation	978,639	57,206	1,035,845	3,966	15,171	1,054,982	723,271
Grant Expense	28,500	-	28,500	-	-	28,500	-
Miscellaneous	500	-	500	-	-	500	(1,031)
Total Functional Expenses Before Donated Food Distributions	8,872,358	2,161,003	11,033,361	781,546	2,207,751	14,022,658	12,957,362
Donated Food Distributions	68,390,499	-	68,390,499	-	-	68,390,499	53,453,254
Total Functional Expenses	<u>\$ 77,262,857</u>	<u>\$ 2,161,003</u>	<u>\$ 79,423,860</u>	<u>\$ 781,546</u>	<u>\$ 2,207,751</u>	<u>\$ 82,413,157</u>	<u>\$ 66,410,616</u>
Percentage of Total Expenses			96.4%	0.9%	2.7%	100.0%	

See accompanying Notes to Financial Statements.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Operating and Support Activities	\$ 12,752,595	\$ 11,803,375
Cash Paid to Suppliers and Employees	(12,125,212)	(12,029,342)
Miscellaneous Receipts	198,296	68,303
Investment Income	328,029	157,445
Interest Paid	(3,460)	(11,323)
Net Cash Provided (Used) by Operating Activities	1,150,248	(11,542)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(330,002)	(150,546)
Purchase of Investments	(2,737,138)	(7,477,872)
Proceeds from Sale of Investments	2,412,320	6,948,643
Addition to Beneficial Interest in Assets Held by Community Foundation	(217,288)	-
Withdrawal from Endowment	300,000	500,000
Net Cash Used by Investing Activities	(572,108)	(179,775)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Note Payable	(237,255)	(258,823)
Borrowings (Payments) on Line of Credit	(500,000)	500,000
Net Cash Provided (Used) by Financing Activities	(737,255)	241,177
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(159,115)	49,860
Cash and Cash Equivalents - Beginning of Year	843,685	793,825
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 684,570	\$ 843,685
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 6,128,237	\$ (683,906)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	1,054,982	723,271
Loss on Disposal of Property and Equipment	25,475	-
Realized and Unrealized (Gain) Loss on Investments	74,210	(348,180)
Change in Fair Value of Beneficial Interest in Assets Held by Community Foundation	(21,639)	(8,646)
Donated Property and Equipment	(9,500)	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(310,791)	569
Contributions and Grants Receivable	(2,647,304)	128,661
Inventory	(3,531,604)	(16,737)
Prepayments	23,349	86,381
Accounts Payable	367,392	235,316
Accrued Liabilities and Other Payables	(2,559)	(128,271)
Net Cash Provided (Used) by Operating Activities	\$ 1,150,248	\$ (11,542)

See accompanying Notes to Financial Statements.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Gleaners Food Bank of Indiana, Inc. (Gleaners) vision: Food for every table. Hope for every future. Gleaners' mission: Lead the fight against hunger. Gleaners' service programs are designed to reach critical needs populations (seniors, children, and families) in 21 counties in central and southeastern Indiana.

The simple fact is that one in six people in central and southeast Indiana struggle with hunger and food insecurity. That means one in six Hoosiers worry about where their next meal will come from. To make matters worse, many of those people who need help are those who fall into a gap where they struggle to put food on their table and yet their income is too high to qualify for any federal hunger relief programs, such as the Supplemental Nutrition Assistance Program (SNAP) or free school meals for children.

Gleaners was founded in 1980 by concerned citizens who had a simple yet profound vision, no one in Indiana should suffer from hunger and malnutrition. Gleaners' goal is to lead the fight against hunger in central and southeast Indiana by collecting, storing, and distributing food to those in need. Gleaners distributes food to hungry Hoosiers through a network of over 250 partner agencies including emergency food pantries, soup kitchens and shelters. In addition to our partner agencies, Gleaners extends our reach to those in need through programs like:

- BackSacks: Weekend Food for Kids, to help feed kids over the weekend;
- School-Based Pantries, helping high school students provide food for their families;
- Summer Meals for Kids, providing food to children throughout the summer; and,
- Mobile Pantries, helping remote areas meet food demands.

In addition to providing hunger relief directly to those in need, Gleaners works to expand awareness of the hunger crisis through various marketing and communication channels that include continuous media and public relations, special events, community outreach, an annual awareness campaign and other tactics. The main sources of revenue for Gleaners are donations from individuals, service organizations, corporations and family foundations, as well as government grants.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Summarized Comparative Information**

The financial statements include certain prior year summarized comparative information in total, but not by functional expense detail. Such information does not include sufficient detail to constitute a complete presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Gleaners' 2018 financial statements from which the information was derived.

**Cash and Cash Equivalents**

Gleaners considers certain liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents managed within the investment portfolio are considered investments. At September 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts.

At September 30, 2019 and 2018, Gleaners' cash in bank deposit accounts exceeded federally insured limits by approximately \$-0- and \$257,000, respectively.

**Investments and Investment Return**

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with donor restriction and then released from restriction. Other investment return is reflected in the statements of activities as without or with donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

**Accounts Receivable**

Accounts receivable are amounts due to Gleaners by agencies for share fees charged to those agencies. Accounts receivable are stated at the amounts billed to agencies. Gleaners provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are ordinarily due 30 days after the issuance of the invoice.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Inventory**

Inventory consists primarily of donated food and nonfood product valued at the approximate average wholesale value of one pound of donated product at the national level. This value is outlined in the Product Valuation Survey Methodology (December 31, 2018, prepared by Feeding America, a national food bank network nonprofit Corporation). KPMG, a major international CPA firm, performed agreed-upon procedures in accordance with standards established by the American Institute of Certified Public Accountants, to assist in determining the approximate average wholesale value of one pound of donated product at the national level as of December 31, 2018. KPMG's report is available upon request. According to this report, at December 31, 2018 and 2017, the average wholesale value of one pound of donated product at the national level was \$1.62 and \$1.68, respectively. For reporting purposes, Gleaners uses the rate in effect at the beginning of the fiscal year to price inventory for the fiscal year. Accordingly, the rate utilized for the inventory values as of September 30, 2019 and 2018 was \$1.62 and \$1.68, respectively.

The valuation of inventory is performed for purposes of measuring program activity and does not reflect a net realizable value. Under Internal Revenue Code Section 170(e)[3], donated inventory cannot be available for sale; also, Feeding America restricts the amount charged for share contribution to affiliate agencies to eighteen cents per pound.

Purchased food inventory is stated at the lower of cost or net realization value. At September 30, 2019 and 2018, purchased food inventory was \$552,424 and \$1,070,155, respectively.

**Property and Equipment**

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset ranging from 5 to 39 years.

**Long-Lived Asset Impairment**

Gleaners evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2019 and 2018.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

**Contributions**

Gifts of cash and other assets received without donor stipulations are reported as without donor restriction revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as with donor restriction revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, with donor restriction net assets are reclassified to without donor restriction net assets and reported in the statements of activities as net assets released from restrictions. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as with donor restriction and then released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as without donor restriction revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as with donor restriction revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restriction are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at fair value determined using the discounted present value of estimated future cash flows technique.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**In-Kind Contributions**

In addition to receiving cash contributions, Gleaners receives in-kind contributions. Gleaners records the value of donated goods or services when there is an objective basis available to measure their value. The valued donated materials and equipment are reflected as contributions at their estimated values at date of receipt. Total donated goods and services, excluding donated food, reflected in the statements of activities for the years ended September 30, 2019 and 2018 totaled \$38,347 and \$34,456, respectively. Gleaners receives food from the general public as well as through federal USDA programs. Donated food contributions as reflected in the statements of activities for the years ended September 30, 2019 and 2018 were \$72,356,666 and \$52,966,549, respectively. All in-kind contributions are treated as noncash transactions for the purpose of the statements of cash flows.

**Government Grants**

Support funded by grants is recognized as Gleaners performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Income Taxes**

Gleaners is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, Gleaners is subject to federal income tax on any unrelated business taxable income. Gleaners files tax returns in the U.S. federal jurisdiction.

**Functional Allocation of Expenses**

Expenses have been classified as program services, management and general and fundraising based on the actual direct expenditures and cost allocation based on estimates of time and usage by Gleaners personnel and programs. The expenses that are allocated include maintenance, informational technology, and transportation which are allocated by square footage, headcount, and routes, respectively.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the statement of functional expenses.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**New Accounting Standards**

**Revenue from Contracts with Customers**

In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfers of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, the qualitative and quantitative disclosures are required regarding customer contracts, significant judgements, and changes in judgements and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. Gleaners will adopt the standard beginning on October 1, 2019. Management is evaluating the impact of the amended revenue recognition guidance on the Gleaners' financial statements and believes the impact will be minimal.

**Contributions Received**

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. The guidance also assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor restricted for a limited purpose or timing. The guidance will initially be applied using a modified retrospective approach. Gleaners will adopt the standard beginning on October 1, 2019. Management is evaluating the impact of the amended contribution guidance on the Gleaners' financial statements and believes the impact will be minimal.

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on Gleaners.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**Subsequent Events**

We have evaluated subsequent events through January 16, 2020, the date the financial statements were available to be issued.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

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

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 684,570	\$ 843,685
Accounts and Grants Receivable, Net	1,286,019	270,924
Contributions Receivable	670,499	-
Accumulated Endowment Earnings Available for Appropriation, Included in Investments	<u>329,150</u>	<u>378,542</u>
Total	<u><u>\$ 2,970,238</u></u>	<u><u>\$ 1,493,151</u></u>

Gleaners' endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is subject to time restriction, with the exception of the amounts available for general use based upon the spending policy as described in Note 9. Donor-restricted endowment funds are not available for general expenditure.

Gleaners' board-designated endowment of \$477,997 and \$239,070 as of September 30, 2019 and 2018 is subject to an annual spending rate of 5% as described in Note 9.

In January 2020, Gleaners entered into a \$1,250,000 line of credit agreement with a bank that remains in effect until January 14, 2022.

Gleaners had a \$500,000 line of credit agreement with a bank that remained in effect until Gleaners' note payable was paid in full (see Note 7). The line bore interest at the one-month LIBOR rate plus 2.9% (5.01% at September 30, 2018) and was secured by substantially all assets of Gleaners.

**NOTE 3 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following:

	<u>2019</u>	<u>2018</u>
Amounts Due in:		
Less than One Year	\$ 965,499	\$ 165,499
One to Five Years	1,270,000	107,000
Over Five Years	-	20,000
Total	<u><u>\$ 2,235,499</u></u>	<u><u>\$ 292,499</u></u>

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 INVESTMENTS**

Gleaners' investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Money Market Mutual Funds	\$ 465,313	\$ 467,154
United States Treasuries	536,280	466,330
Fixed Income:		
Corporate Bonds	1,374,966	1,428,394
Municipal Bonds	49,922	48,775
Equity Securities	1,859,966	2,452,589
Exchange Traded products (ETPs):		
Equity ETPs	1,321,280	1,449,545
Fixed Income ETPs	121,523	115,598
Other ETPs	148,502	88,863
Mutual Funds and Exchange-Traded Funds:		
Fixed Income Funds	657,176	586,763
Equity Funds	3,294,222	2,774,531
Total Investments	<u>\$ 9,829,150</u>	<u>\$ 9,878,542</u>

Total investment return is comprised of the following:

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>September 30, 2019</u>			
Dividends and Interest	\$ 3,211	\$ 324,818	\$ 328,029
Net Realized and Unrealized Gain (Loss)	-	(74,210)	(74,210)
Total Return on Investments	<u>\$ 3,211</u>	<u>\$ 250,608</u>	<u>\$ 253,819</u>
<u>September 30, 2018</u>			
Dividends and Interest	\$ 6,067	\$ 151,378	\$ 157,445
Net Realized and Unrealized Gain (Loss)	(28,625)	376,805	348,180
Total Return on Investments	<u>\$ (22,558)</u>	<u>\$ 528,183</u>	<u>\$ 505,625</u>

**NOTE 5 PROPERTY AND EQUIPMENT**

Property and equipment at September 30 consists of:

	<u>2019</u>	<u>2018</u>
Land and Improvements	\$ 8,229,145	\$ 8,229,145
Building Improvements	3,135,111	3,135,111
Building Improvements in Process	21,132	-
Furniture and Equipment	225,720	225,720
Warehouse Equipment	2,586,280	2,692,065
Computer Equipment	506,196	438,719
Subtotal	14,703,584	14,720,760
Less: Accumulated Depreciation and Amortization	(6,425,534)	(5,701,755)
Property and Equipment, Net	<u>\$ 8,278,050</u>	<u>\$ 9,019,005</u>

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 6 LINE OF CREDIT**

Gleaners had a \$500,000 line of credit agreement with a bank that remained in effect until Gleaners' note payable was paid in full (see Note 7). The line bore interest at the one-month LIBOR rate plus 2.9% (5.01% at September 30, 2018) and was secured by substantially all assets of Gleaners. There was \$500,000 outstanding on the line of credit at September 30, 2018. The line and the note payable were paid off during the year ended September 30, 2019.

**NOTE 7 NOTE PAYABLE**

Gleaners purchased a building in 2009 which was partially financed by the seller, creating a note payable of \$2,200,000. The note was due in monthly installments of \$21,569 plus interest at 3% with the final payment made in August 2019. The balance of the note at September 30, 2018 was \$- and \$237,255.

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2019	2018
Subject to Expenditure for Specified Purpose:		
Children's Programs	\$ 226,771	\$ 147,547
Property and Equipment Acquisition	140,731	182,000
Mobile Pantry	104,466	41,895
Food Purchase	41,817	160,732
Other Purposes	-	3,596
Total	513,785	535,770
Subject to the Passage of Time:		
For Periods after September 30	2,235,499	292,499
Total	2,235,499	292,499
Endowment:		
Subject to Endowment Spending Policy, Appropriation and Expenditure:		
General Operations	329,150	378,542
Total	329,150	378,542
Investment in Perpetuity, the Income of Which is Expendable to Support:		
General Operations	9,500,000	9,500,000
Total	9,500,000	9,500,000
 Total Net Assets with Donor Restrictions	 \$ 12,578,434	 \$ 10,706,811

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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

	2019	2018
Satisfaction of Purpose Restrictions:		
Children's Programs	\$ 1,447,354	\$ 1,058,479
Mobile Pantry	146,213	99,302
Food Purchase	864,700	1,204,658
Produce Cooperative Operations	150,000	125,000
Endowment Appropriation	300,000	190,831
Health Clinic Start-Up	-	67,954
Strategic Planning	66,836	50,620
Disaster Relief	-	50,501
Other Purposes	169,160	150,217
Future Contributions to be Received	-	196,144
Total	\$ 3,144,263	\$ 3,193,706

**NOTE 9 ENDOWMENT**

Gleaners' endowment consists of two funds, one is a donor-restricted endowment fund, and the other is a fund designated by the governing body to function as endowments (board-designated endowment fund). As required by GAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board-designated endowment fund has been established as a fund with the Central Indiana Community Foundation (CICF) and is reported as a beneficial interest in assets held by community foundation in the statements of financial position. By establishing the fund, Gleaners had granted certain variance powers to CICF, including the right to reject gifts to the fund that are not in compliance with the CICF gift acceptance policy and the ability to re-direct the fund in the event that Gleaners or its successors cease to exist.

Gleaners' governing body has interpreted the State of Indiana Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Gleaners classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by Gleaners in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, Gleaners considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 9 ENDOWMENT (CONTINUED)**

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

The composition of net assets by type of endowment fund at September 30, 2019 and 2018 was:

	Without Donor Restriction	With Donor Restrictions	Total
<u>September 30, 2019</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 9,829,150	\$ 9,829,150
Board-Designated Endowment Funds	477,997	-	477,997
Total	<u>\$ 477,997</u>	<u>\$ 9,829,150</u>	<u>\$ 10,307,147</u>
<u>September 30, 2018</u>			
Donor-Restricted Endowment Funds	\$ -	\$ 9,878,542	\$ 9,878,542
Board-Designated Endowment Funds	239,070	-	239,070
Total	<u>\$ 239,070</u>	<u>\$ 9,878,542</u>	<u>\$ 10,117,612</u>

Changes in endowment net assets for the years ended September 30, 2019 and 2018 were:

	Without Donor Restriction	With Donor Restrictions	Total
<u>September 30, 2019</u>			
Endowment Net Assets - Beginning of Year	\$ 239,070	\$ 9,878,542	\$ 10,117,612
Investment Return, Net	21,639	250,608	272,247
Contributions Received	217,288	-	217,288
Appropriation of Endowment Assets for Expenditure	-	(300,000)	(300,000)
Endowment Net Assets - End of Year	<u>\$ 477,997</u>	<u>\$ 9,829,150</u>	<u>\$ 10,307,147</u>
<u>September 30, 2018</u>			
Endowment Net Assets - Beginning of Year	\$ 190,258	\$ 9,541,299	\$ 9,731,557
Investment Return, Net	10,827	528,074	538,901
Contributions Received	50,000	-	50,000
Appropriation of Endowment Assets for Expenditure	(12,015)	(190,831)	(202,846)
Endowment Net Assets - End of Year	<u>\$ 239,070</u>	<u>\$ 9,878,542</u>	<u>\$ 10,117,612</u>

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 9 ENDOWMENT (CONTINUED)**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level Gleaners is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. Gleaners did not have any such funds at September 30, 2019 and 2018.

For the donor-restricted endowment, Gleaners has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds Gleaners must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under Gleaners' policies, endowment assets are invested in a manner that is intended to produce results that provide long-term growth while assuming a moderate level of investment risk. Gleaners expects its endowment funds to provide an average rate of return of approximately 6% to 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, Gleaners relies on a total return strategy for the donor-restricted endowment in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). Gleaners targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

For the donor-restricted endowment, Gleaners has a policy (the spending policy) of appropriating for expenditure each year up to 5% of its endowment fund's average fair value as of December 31 of the prior year-end, provided the fair value of the endowment is greater than the historical dollar value. If the fair value of the endowment is less than the historical dollar value, Gleaners has a policy to limit spending to 2%. Additionally, if the appropriation for current year expenditure would reduce the fair value of the endowment to less than the historical dollar value, Gleaners has a policy to limit spending to the greater of the excess of the fair value over the historical dollar value or 2%. For the board-designated endowment, Gleaners can distribute up to 5% of the endowment's previous year fund balance for expenditure. In establishing this policy, Gleaners considered the long-term expected return on its endowment. Accordingly, over the long term, Gleaners expects the current spending policy to allow its endowment to grow at an average of 1% to 3% annually. This is consistent with Gleaners' objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities

*Level 2* – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

*Level 3* – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Recurring Measurements**

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Mutual Funds	\$ 465,313	\$ -	\$ -	\$ 465,313
United States Treasuries	-	536,280	-	536,280
Fixed Income:				
Corporate Bonds	-	1,374,966	-	1,374,966
Municipal Bonds	-	49,922	-	49,922
Equity Securities	1,859,966	-	-	1,859,966
Exchange Traded Products (ETPs):				
Equity ETPs	1,321,280	-	-	1,321,280
Fixed Income ETPs	121,523	-	-	121,523
Other ETPs	148,502	-	-	148,502
Mutual Funds and Exchange-Traded Funds:				
Fixed Income Funds	657,176	-	-	657,176
Equity Funds	3,294,222	-	-	3,294,222
Total Investments	7,867,982	1,961,168	-	9,829,150
Beneficial Interest in Assets Held by Others	-	-	477,997	477,997
Total	<u>\$ 7,867,982</u>	<u>\$ 1,961,168</u>	<u>\$ 477,997</u>	<u>\$ 10,307,147</u>

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 10 DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Recurring Measurements (Continued)**

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Money Market Mutual Funds	\$ 467,154	\$ -	\$ -	\$ 467,154
United States Treasuries	-	466,330	-	466,330
Fixed Income:				
Corporate Bonds	-	1,428,394	-	1,428,394
Municipal Bonds	-	48,775	-	48,775
Equity Securities	2,452,589	-	-	2,452,589
Exchange Traded Products (ETPs):				
Equity ETPs	1,449,545	-	-	1,449,545
Fixed Income ETPs	115,598	-	-	115,598
Other ETPs	88,863	-	-	88,863
Mutual Funds and Exchange-Traded Funds:				
Fixed Income Funds	586,763	-	-	586,763
Equity Funds	2,774,531	-	-	2,774,531
Total Investments	<u>7,935,043</u>	<u>1,943,499</u>	<u>-</u>	<u>9,878,542</u>
Beneficial Interest in Assets Held by Others	-	-	239,070	239,070
Total	<u>\$ 7,935,043</u>	<u>\$ 1,943,499</u>	<u>\$ 239,070</u>	<u>\$ 10,117,612</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2019. Fair value determinations for Level 3 measurements of securities are the responsibility of the Chief Financial Officer. The Chief Financial Officer determines the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States of America.

**Cash Equivalents**

Fair value is estimated based upon quoted market prices in an active market.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 10 DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Gleaners currently does not have any Level 3 investments.

**Beneficial Interest in Assets Held by Others**

Fair value is estimated based upon the fair value of the underlying assets included in the CICF long-term and short-term pooled funds.

**Level 3 Reconciliation**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	2019	2018
Balance - Beginning of Year	\$ 239,070	\$ 190,258
New Contributions	217,288	50,000
Approved Withdrawals	-	(12,015)
Interest and Dividends	1,458	1,649
Net Change in Fair Value	20,181	9,178
Balance - End of Year	\$ 477,997	\$ 239,070

**NOTE 11 RETIREMENT PLAN**

Gleaners provides a retirement plan described in Section 403(b) of the Internal Revenue Code of 1986, as amended. The plan permits each participant to voluntarily elect to have Gleaners make a contribution to the plan on their behalf by reducing the amount of compensation otherwise payable to the participant. Gleaners' employer matching contribution is equal to 100% of the first 2% of employee contributions for 2019 (100% of the first 1% of employee contributions for 2018). Gleaners' employer matching contribution was \$44,487 and \$21,602 for the years ended September 30, 2019 and 2018, respectively.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 LOWER MIDWEST REGIONAL PRODUCE COOPERATIVE**

In November of 2017, with funding support from Feeding America, Gleaners launched The Lower Midwest Regional Produce Cooperative (LMRPC). The LMRPC is a member-driven initiative operated by Gleaners Food Bank in Indianapolis, Indiana. Members consist of other Feeding America member food banks throughout the Midwest. These members work together to pool resources to source and share full truckloads of donated produce from farmers throughout the United States. Most of the produce received by the LMRPC is produce that a farmer donates, rather than plowing back into their fields.

The cooperative is committed to reducing the cost of produce acquisition by member food banks, thereby increasing the volume of produce distributed by food banks through:

- Centrally planning, negotiating and purchasing pre-market, bulk and cased produce
- Managing and maintaining the Lower Midwest Produce Mixing Center and associated operations, hosted on site at Gleaners Food Bank
- Developing relationships with various sources - grower direct, brokers, etc.
- Facilitating collaboration and planning among cooperative members

Membership in the cooperative is on an opt-in/opt-out basis. All Feeding America food banks located in the Midwest or adjacent regions are eligible for membership. By operating a cooperative purchasing model, food banks will:

- Increase the quality, quantity and variety of commodities available to food insecure clients across the Midwest
- Reduce the cost of bulk/cased produce
- Improve efficiency and planning for participating members

Gleaners is the sponsoring member and host of the LMRPC, leveraging its logistics expertise, physical space, and resources on behalf of the entire LMRPC membership. LMRPC operations are conducted entirely within the physical footprint of Gleaners Food Bank and in parallel with the food banks standard operation.

The LMRPC staff is comprised of employees who are employed by Gleaners. While some positions are funded through grant support, LMRPC employees work on behalf of both organizations. Because of the nature of this relationship, the LMRPC maintains an Executive Committee to provide member-driven governance and oversight.

Because Gleaners relies on its facilities and staff to support the cooperative and sourcing operations, Gleaners charges members a Shared Maintenance Fee (.016-.022 per pound) on loads sourced through the LMRPC's mixing center. The Shared Maintenance Fee is reviewed annually by the Executive Committee.

Beyond Shared Maintenance Fees, Gleaners does not receive any additional financial benefit from LMRPC members' participation. There are no membership fees or dues required to become a member of the LMRPC. Gleaners, as the sponsoring organization and funded by grant support from Feeding America, will absorb any financial losses, within reason, associated with the start-up of the LMRPC until the organization reaches the desired goal of break-even stability.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 12 LOWER MIDWEST REGIONAL PRODUCE COOPERATIVE (CONTINUED)**

The financial activity for the LMRPC, which is included in Gleaners financial statements for 2019 and 2018 was:

	<u>2019</u>	<u>2018</u>
Revenue and Other Support:		
Feeding America Grant	\$ 150,000	\$ 100,000
Shared Maintenance Fees	216,426	120,123
Produce Acquisition Expenses Billed to Members	<u>1,944,212</u>	<u>1,663,887</u>
Total Revenue and Other Support	2,310,638	1,884,010
Expenses:		
Salaries, Taxes, and Benefits	147,872	120,480
Allocation of Common Costs	6,820	6,391
Occupancy Charges	84,750	57,099
Travel and Meeting Expenses	10,227	1,855
Produce Acquisition Expenses	<u>1,965,016</u>	<u>1,721,531</u>
Total Expenses	<u>2,214,685</u>	<u>1,907,356</u>
Change in Net Assets	<u>\$ 95,953</u>	<u>\$ (23,346)</u>

**NOTE 13 CONCENTRATIONS**

During the year ended September 30, 2019, approximately 15% of total gifts and donations were received from one donor. There were no such concentrations for the year ended September 30, 2018.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Gleaners Food Bank of Indiana, Inc.  
Indianapolis, Indiana

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 Gleaners Food Bank of Indiana, Inc. (Gleaners), which comprise the statement of financial position as of September 30, 2019, 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 January 16, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Gleaners' 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 Gleaners' internal control. Accordingly, we do not express an opinion on the effectiveness of Gleaners' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Gleaners' 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 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
January 16, 2020



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Gleaners Food Bank of Indiana, Inc.  
Indianapolis, Indiana

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

We have audited Gleaners Food Bank of Indiana, Inc.'s (Gleaners) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gleaners' major federal programs for the year ended September 30, 2019. Gleaners' major federal programs are identified in the summary of auditors' 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 its federal awards applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Gleaners' 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 the 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 Gleaners' 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 Gleaners' compliance.

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

In our opinion, Gleaners 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 September 30, 2019.

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

Management of Gleaners 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 Gleaners' 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 the 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 Gleaners' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Indianapolis, Indiana  
January 16, 2020

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Pass-Through Indiana Department of Health:				
Food Distribution Cluster:				
Emergency Food Assistance Program - Cash	10.568	29176	\$ 22,191	867,533
Emergency Food Assistance Program - Cash	10.568	N/A	-	95,730
Emergency Food Assistance Program - Noncash	10.569	N/A	7,289,851	10,177,517
Total Food Distribution Cluster			<u>7,312,042</u>	<u>11,140,780</u>
Pass-Through Indiana Department of Health:				
SNAP Cluster:				
Supplemental Nutrition Assistance Plan	10.551	18065	-	79,845
Total SNAP Cluster			<u>-</u>	<u>79,845</u>
Pass-Through Indiana Department of Health:				
Trade Mitigation Program	10.178	36231	-	240,282
			<u>-</u>	<u>240,282</u>
Total Expenditures of Federal Awards			<u>\$ 7,312,042</u>	<u>\$ 11,460,907</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**GLEANERS FOOD BANK OF INDIANA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2019**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Gleaners under programs of the federal government for the year ended September 30, 2019. 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 Gleaners, it is not intended to and does not present the financial position, changes in net assets or cash flows of Gleaners.

**NOTE 2 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 represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Gleaners has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**GLEANERS FOOD BANK OF INDIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**Section I – Summary of Auditors' Results**

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**Financial Statements**

1. Type auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes       X       no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes       X       no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X       none reported
2. Type of auditor's report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes       X       no

**Identification of Major Federal Programs**

**CDFA-Number(s)**

10.568, 10.569

**Name of Federal Program or Cluster**

Food Distribution Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes       X       no

**GLEANERS FOOD BANK OF INDIANA, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED SEPTEMBER 30, 2019**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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# GLEANERS

**GLEANERS FOOD BANK OF INDIANA, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2019**

United States Department of Agriculture

Gleaners Food Bank of Indiana, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended September 30, 2019.

Audit period: October 1, 2017 through September 30, 2018

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

## **FINDINGS—FINANCIAL STATEMENT AUDIT**

### **2018 – 001**

**Condition:** Gleaners' internal control environment over financial reporting did not detect adjustments necessary to prevent the financial statements from being misstated (material weakness).

**Status:** Corrected. Management worked internally, with their board, and with their new audit team in order to identify any other weaknesses noted and continue to ensure the financial statements are properly stated.

## **FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.

If the United States Department of Agriculture has questions regarding this schedule, please call Joe Slater, CFO at 317-829-1781.