



Northern Illinois Food Bank

**Financial Statements
and
Independent Auditor's Report
For the Year Ended
June 30, 2011**

Wolf & Company LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Illinois Food Bank

We have audited the accompanying statements of financial position of NORTHERN ILLINOIS FOOD BANK (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Illinois Food Bank as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the 2010 financial statements have been restated to correct a misstatement.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of Northern Illinois Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Oakbrook Terrace, Illinois
January 24, 2012

Wolf & Company LLP

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 3,476,371	\$ 1,522,661	\$ 4,999,032
Investments	6,645,793	-	6,645,793
Accounts receivable	143,351	-	143,351
Grant receivable	161,640	225,000	386,640
Contributions receivable, current portion	-	143,044	143,044
Inventory	5,428,564	-	5,428,564
Prepaid expenses	183,595	-	183,595
Total current assets	<u>16,039,314</u>	<u>1,890,705</u>	<u>17,930,019</u>
Property and equipment, net of accumulated depreciation	<u>15,451,309</u>	<u>2,270,997</u>	<u>17,722,306</u>
Other assets:			
Long term investments	733,212	-	733,212
Contributions receivable, less current portion	-	185,417	185,417
Deposits and coupons	218	-	218
Bond issuance costs, net	129,294	-	129,294
Total other assets	<u>862,724</u>	<u>185,417</u>	<u>1,048,141</u>
Total assets	<u>\$ 32,353,347</u>	<u>\$ 4,347,119</u>	<u>\$ 36,700,466</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable	\$ 609,011	\$ -	\$ 609,011
Accounts payable for capital projects	2,755,023	-	2,755,023
Retainage payable for capital projects	1,159,183	-	1,159,183
Accrued wages	394,754	-	394,754
Other accrued expenses	154,567	2,577	157,144
Bonds payable, current portion	40,000	-	40,000
Due to agencies	87,568	-	87,568
Total current liabilities	<u>5,200,106</u>	<u>2,577</u>	<u>5,202,683</u>
Bonds payable, net of current portion	<u>11,960,000</u>	<u>-</u>	<u>11,960,000</u>
Total liabilities	<u>17,160,106</u>	<u>2,577</u>	<u>17,162,683</u>
Net assets:			
Unrestricted net assets:			
Designated by the Board of Directors for:			
General operations	485,448	-	485,448
Capital improvement	105,000	-	105,000
Equipment purchases	96,200	-	96,200
Facilities expansion	104,800	-	104,800
Undesignated	14,401,793	-	14,401,793
Total unrestricted net assets	<u>15,193,241</u>	<u>-</u>	<u>15,193,241</u>
Temporarily restricted net assets	<u>-</u>	<u>4,344,542</u>	<u>4,344,542</u>
Total net assets	<u>15,193,241</u>	<u>4,344,542</u>	<u>19,537,783</u>
Total liabilities and net assets	<u>\$ 32,353,347</u>	<u>\$ 4,347,119</u>	<u>\$ 36,700,466</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF FINANCIAL POSITION
 June 30, 2010

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,906,338	\$ 1,173,994	\$ 4,080,332
Investments	720,679	-	720,679
Accounts receivable	359,109	150,000	509,109
Grants receivable	-	502,000	502,000
Contributions receivable, current portion	-	331,543	331,543
Inventory	5,883,166	-	5,883,166
Prepaid expenses	24,609	-	24,609
	<u>9,893,901</u>	<u>2,157,537</u>	<u>12,051,438</u>
Property and equipment, net of accumulated depreciation, restated	<u>4,398,223</u>	<u>1,625,004</u>	<u>6,023,227</u>
Other assets:			
Contributions receivable, less current portion	-	366,198	366,198
Deposits and coupons	2,318	-	2,318
	<u>2,318</u>	<u>366,198</u>	<u>368,516</u>
Total assets	<u>\$ 14,294,442</u>	<u>\$ 4,148,739</u>	<u>\$ 18,443,181</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable	\$ 112,211	\$ 156,577	\$ 268,788
Accrued wages	301,450	-	301,450
Other accrued expenses	154,824	13,067	167,891
Due to agencies	82,824	-	82,824
	<u>651,309</u>	<u>169,644</u>	<u>820,953</u>
Net assets:			
Unrestricted net assets:			
Designated by the Board of Directors for:			
General operations	485,448	-	485,448
Capital improvement	105,000	-	105,000
Equipment purchases	96,200	-	96,200
Facilities expansion	104,800	-	104,800
Undesignated, restated	12,851,685	-	12,851,685
	<u>13,643,133</u>	<u>-</u>	<u>13,643,133</u>
Temporarily restricted net assets, restated	<u>-</u>	<u>3,979,095</u>	<u>3,979,095</u>
Total net assets	<u>13,643,133</u>	<u>3,979,095</u>	<u>17,622,228</u>
Total liabilities and net assets	<u>\$ 14,294,442</u>	<u>\$ 4,148,739</u>	<u>\$ 18,443,181</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2011

	Unrestricted			Temporarily Restricted	Total
	Food Bank Operations	Donated Food	Total Unrestricted		
Support and revenue:					
Contributions and grants	\$ 4,967,917	\$ -	\$ 4,967,917	\$ 3,136,323	\$ 8,104,240
Fees and grants from government agencies	2,812,691	-	2,812,691	650,493	3,463,184
Program service fees	4,862,209	-	4,862,209	-	4,862,209
Rental income	12,893	-	12,893	-	12,893
Investment income	18,158	-	18,158	-	18,158
Other income	15,547	-	15,547	-	15,547
Donated goods and services	49,626	55,217,031	55,266,657	-	55,266,657
 Total support and revenue	 <u>12,739,041</u>	 <u>55,217,031</u>	 <u>67,956,072</u>	 <u>3,786,816</u>	 <u>71,742,888</u>
 Net assets released from restrictions	 <u>3,421,369</u>	 <u>-</u>	 <u>3,421,369</u>	 <u>(3,421,369)</u>	 <u>-</u>
Expenses:					
Programs:					
Food Bank operations	10,183,722	55,774,435	65,958,157	-	65,958,157
Supporting services:					
Management and general	562,516	-	562,516	-	562,516
Fund raising	1,675,377	-	1,675,377	-	1,675,377
 Total supporting services	 <u>2,237,893</u>	 <u>-</u>	 <u>2,237,893</u>	 <u>-</u>	 <u>2,237,893</u>
 Impairment loss on property	 <u>1,631,283</u>	 <u>-</u>	 <u>1,631,283</u>	 <u>-</u>	 <u>1,631,283</u>
 Total expenses	 <u>14,052,898</u>	 <u>55,774,435</u>	 <u>69,827,333</u>	 <u>-</u>	 <u>69,827,333</u>
 Change in net assets	 2,107,512	 (557,404)	 1,550,108	 365,447	 1,915,555
Net assets:					
Beginning of year, restated	8,972,801	4,670,332	13,643,133	3,979,095	17,622,228
 End of year	 <u>\$ 11,080,313</u>	 <u>\$ 4,112,928</u>	 <u>\$ 15,193,241</u>	 <u>\$ 4,344,542</u>	 <u>\$ 19,537,783</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

	Unrestricted		Temporarily Restricted	Total
	Food Bank Operations	Donated Food		
Support and revenue:				
Contributions and grants	\$ 4,309,983	\$ -	\$ 4,309,983	\$ 2,180,019
Fees and grants from government agencies	3,617,778	-	3,617,778	502,000
Program service fees	5,233,280	-	5,233,280	-
Rental income	24,560	-	24,560	-
Investment income	26,976	-	26,976	-
Other income	17,358	-	17,358	-
Donated goods and services	14,558	51,395,901	51,410,459	-
Total support and revenue	<u>13,244,493</u>	<u>51,395,901</u>	<u>64,640,394</u>	<u>2,682,019</u>
Net assets released from restrictions, restated	595,145	-	595,145	(595,145)
Expenses:				
Programs:				
Food Bank operations	9,774,461	51,255,031	61,029,492	-
Supporting services:				
Management and general	459,463	-	459,463	-
Fund raising	829,316	-	829,316	-
Total supporting services	<u>1,288,779</u>	<u>-</u>	<u>1,288,779</u>	<u>-</u>
Total expenses	<u>11,063,240</u>	<u>51,255,031</u>	<u>62,318,271</u>	<u>-</u>
Change in net assets	2,776,398	140,870	2,917,268	2,086,874
Net assets:				
Beginning of year, restated	6,196,403	4,529,462	10,725,865	1,892,221
End of year, restated	<u>\$ 8,972,801</u>	<u>\$ 4,670,332</u>	<u>\$ 13,643,133</u>	<u>\$ 3,979,095</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	Programs	Supporting Services		Total
	Food Bank Operations	Management and General	Fund Raising	
Employee expenses:				
Staff salaries	\$ 2,674,353	\$ 304,563	\$ 455,357	\$ 3,434,273
Payroll taxes	196,467	18,956	33,376	248,799
Health insurance	375,728	19,717	47,194	442,639
Retirement plan	64,179	7,228	9,569	80,976
Total employee expenses	<u>3,310,727</u>	<u>350,464</u>	<u>545,496</u>	<u>4,206,687</u>
Other expenses:				
Contributed food distributed	55,774,435	-	-	55,774,435
Purchased food distributed	4,246,104	-	-	4,246,104
Transportation	542,615	26	-	542,641
Operating supplies	353,307	-	-	353,307
Occupancy and utilities	291,123	9,291	9,291	309,705
Facility rental	180,317	-	-	180,317
Insurance	179,257	21,116	-	200,373
Equipment purchase, maintenance and rental	90,021	(244)	2,284	92,061
Building maintenance	81,614	2,835	2,605	87,054
Office and technology supplies	66,523	7,152	8,217	81,892
Local travel	63,906	3,461	10,677	78,044
Telecommunications	50,665	1,854	7,592	60,111
Feeding America and Feeding Illinois fees	40,270	7,106	-	47,376
Direct mail, promotional and advertising	37,985	1,529	859,853	899,367
Conferences and meetings	31,961	12,502	6,692	51,155
Postage and shipping	26,511	7,128	2,083	35,722
Staffing development	22,664	5,697	1,785	30,146
Dues and subscriptions	18,318	2,936	9,904	31,158
Special events	14,113	-	142,779	156,892
Professional and consulting fees	15,427	82,082	8,031	105,540
Printing and publications	3,645	988	22,526	27,159
Donated goods and services	28,363	18,463	2,800	49,626
Miscellaneous	25,892	17,095	19,160	62,147
Total other expenses	<u>62,185,036</u>	<u>201,017</u>	<u>1,116,279</u>	<u>63,502,332</u>
Total expenses before depreciation and impairment	65,495,763	551,481	1,661,775	67,709,019
Depreciation of buildings and equipment	<u>462,394</u>	<u>11,035</u>	<u>13,602</u>	<u>487,031</u>
Total expenses	<u>\$ 65,958,157</u>	<u>\$ 562,516</u>	<u>\$ 1,675,377</u>	<u>\$ 68,196,050</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	<u>Programs</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Food Bank Operations</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Employee expenses:				
Staff salaries	\$ 2,208,175	\$ 293,730	\$ 404,061	\$ 2,905,966
Payroll taxes	180,076	36,940	37,137	254,153
Health insurance	287,696	15,538	42,015	345,249
Retirement plan	<u>51,508</u>	<u>5,554</u>	<u>9,532</u>	<u>66,594</u>
Total employee expenses	<u>2,727,455</u>	<u>351,762</u>	<u>492,745</u>	<u>3,571,962</u>
Other expenses:				
Contributed food distributions	51,255,031	-	-	51,255,031
Purchased food distributed	4,448,009	-	-	4,448,009
Transportation	428,488	6,297	11,935	446,720
Operating supplies	302,500	-	-	302,500
Occupancy and utilities	242,781	5,830	5,830	254,441
Mortgage interest	19,740	4,230	4,230	28,200
Facility rental	149,990	-	-	149,990
Insurance	142,157	10,025	10,025	162,207
Equipment purchase, maintenance and rental	44,629	1,188	-	45,817
Building maintenance	61,245	-	-	61,245
Office and technology supplies	31,819	6,626	1,697	40,142
Local travel	68,985	-	108	69,093
Telecommunications	40,005	5,582	1,370	46,957
Feeding America and Feeding Illinois fees	39,557	3,402	-	42,959
Direct mail, promotional and advertising	451,063	369	127,132	578,564
Conferences and meetings	31,963	795	2,367	35,125
Postage and shipping	25,468	4,549	344	30,361
Staff development	19,494	12,759	1,526	33,779
Dues and subscriptions	8,047	1,577	6,744	16,368
Special events	-	-	101,936	101,936
Professional and consulting fees	82,323	21,442	18,527	122,292
Printing and publications	14,472	900	8,566	23,938
Donated goods and services	5,473	9,085	-	14,558
Miscellaneous	<u>30,040</u>	<u>1,595</u>	<u>22,784</u>	<u>54,419</u>
Total other expenses	<u>57,943,279</u>	<u>96,251</u>	<u>325,121</u>	<u>58,364,651</u>
Total expenses before depreciation	60,670,734	448,013	817,866	61,936,613
Depreciation of buildings and equipment	<u>358,758</u>	<u>11,450</u>	<u>11,450</u>	<u>381,658</u>
Total expenses	<u>\$ 61,029,492</u>	<u>\$ 459,463</u>	<u>\$ 829,316</u>	<u>\$ 62,318,271</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from support and revenue	\$ 17,179,301	\$ 14,381,562
Cash paid to suppliers and employees	<u>(11,616,730)</u>	<u>(10,587,317)</u>
Net cash provided by operating activities	<u>5,562,571</u>	<u>3,794,245</u>
Cash flows from investing activities:		
Purchase of property and equipment	(9,786,851)	(641,527)
Proceeds from sale of property and equipment	900	601
Purchase of investments	(32,330,432)	(83,379)
Proceeds from sale investments	<u>25,605,350</u>	<u>-</u>
Net cash used in investing activities	<u>(16,511,033)</u>	<u>(724,305)</u>
Cash flows from financing activities:		
Proceeds from tax exempt debt issuance	12,000,000	-
Payments for debt issuance costs	(132,838)	-
Principal payments on bank loans	<u>-</u>	<u>(804,443)</u>
Net cash provided by (used in) financing activities	<u>11,867,162</u>	<u>(804,443)</u>
Net increase in cash and cash equivalents	918,700	2,265,497
Cash and cash equivalents:		
Beginning of year	<u>4,080,332</u>	<u>1,814,835</u>
End of year	<u>\$ 4,999,032</u>	<u>\$ 4,080,332</u>

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
STATEMENTS OF CASH FLOWS

	For the Year Ended	
	June 30,	
	2011	2010
<u>Reconciliation of changes in net assets to net cash provided by operating activities:</u>		
Change in net assets	\$ 1,915,555	\$ 5,004,142
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	487,031	381,658
Loss on sale of property and equipment	28,675	274
Impairment loss on property	1,631,283	-
Net realized and unrealized loss on investments	66,756	-
Increase in provision for uncollectible accounts	72,816	-
Non-cash contribution of property and equipment	(142,367)	(83,900)
Non-cash donated goods and services	(55,266,657)	(51,410,459)
Non-cash donated goods and services expense	55,824,061	51,410,459
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	365,758	(138,187)
(Increase) decrease in grants receivable	115,360	(502,000)
(Increase) decrease in contributions receivable	296,464	(146,792)
(Increase) decrease in purchased inventory	(102,802)	129,223
(Increase) decrease in prepaid expenses	(158,986)	1,655
(Increase) decrease in other assets	2,100	(1,500)
Increase (decrease) in accounts payable	340,223	(135,894)
Increase (decrease) in accrued expenses	82,557	(753,131)
Increase in due to agencies	4,744	38,697
Total adjustments	3,647,016	(1,209,897)
Net cash provided by operating activities	\$ 5,562,571	\$ 3,794,245
<u>Supplemental disclosure of non-cash investing and financing activities:</u>		
Cash paid for interest on bonds	\$ 293,217	\$ 28,200
Cash received for interest earned on bond proceeds	\$ 41,369	\$ -
Donated property and equipment	\$ 142,367	\$ 83,900
Property and equipment additions in accounts payable at year end	\$ 4,060,682	\$ 34,773

See accompanying notes to financial statements.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

1. Organization

Northern Illinois Food Bank (the Food Bank) was organized as a not-for-profit corporation under the laws of the State of Illinois on September 15, 1982. The Food Bank is a member of Feeding America (formerly America's Second Harvest), the nation's food bank network. Northern Illinois Food Bank engages the community in a commitment to feed our hungry neighbors. Food manufacturers, local groceries, corporations, foundations and individuals across 13 counties come together to donate food and funds, and evaluate and repack food for distribution to the Food Bank's partner agencies that, in turn, provide the food to hungry people in the community. More than 60,000 different people each week rely on the food provided by Northern Illinois Food Bank through its 600 member food pantries, soup kitchens, shelters and youth and senior feeding programs. The Food Bank's major sources of revenue are received from contributions, grants and program services fees.

2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Food Bank have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables and other liabilities. The significant policies followed are described below to enhance the usefulness of the financial statements to the user.

Basis of Presentation - The Food Bank is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and nature of donor imposed restrictions as follows:

Unrestricted Net Assets - Amounts included in this class represent resources not subject to donor imposed restrictions which can be used for any purpose consistent with the mission of the Food Bank. Unrestricted net assets may be further classified into designated and undesignated with designated assets representing funds set aside at the discretion of the Board for certain purposes.

Temporarily Restricted Net Assets - Amounts in this class represent resources that are subject to specific donor imposed restrictions to be used for a specific purpose or a stated period of time.

Permanently Restricted Net Assets - Amounts in this class represent resources which are to be permanently used for a specific purpose determined by the donor. There were no permanently restricted net assets as of June 30, 2011 and 2010.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Food Bank considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents.

Money market funds maintained in brokerage accounts are considered to be investments in the statement of financial position.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Contributions (cont.) -

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Investments - Investments are reported at their fair values. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment are stated at cost, with the exception of donated property which is recorded at fair market value on the date of the donation. All expenditures for property and equipment over \$2,500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Building and improvements	5 - 39 years
Furniture and equipment	5 - 10 years
Computers	3 years
Vehicles	5 years

Maintenance and repair costs are expensed as incurred.

Donations of property are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Contributed Services - Contributions of services are recognized as revenue by the Food Bank when the services received either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers provide non-specialized services to the Food Bank throughout the year; however, no amounts are recorded in the financial statements.

Income Tax Status - The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Food Bank's tax-exempt purpose is subject to taxation as unrelated business income. The Food Bank recognizes the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. There are no ongoing federal or state income tax examinations. Income tax returns for years 2008 and subsequent are subject to examination by tax authorities.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Accounts Receivable - Accounts receivable are valued at management's estimate of the amount that will ultimately be collected. The Food Bank uses the direct write-off method for uncollectible accounts.

Concentrations - The Food Bank routinely maintains balances at financial institutions in excess of federally insured amounts.

Inventory - Purchased inventory is valued at lower of cost or market, using the first-in, first-out method. Donated inventory is valued based on a survey published by Feeding America.

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

Fair Value Measurements - In January 2010, the Financial Accounting Standards Board issued guidance in Accounting Standards Codification No. 820, *Fair Value Measurements and Disclosures*, amending the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between fair value measurement hierarchy levels, including the reasons for and the timing of the transfers. The new accounting guidance also clarifies existing disclosure requirements regarding the level of disaggregation of fair value measurements and disclosure of significant inputs and valuation techniques utilized. The Food Bank adopted these disclosure requirements in 2011. Additionally, beginning in 2012, the guidance requires separate presentation of purchases, sales, issuances, and settlements in the Level 3 reconciliation table. The Food Bank intends on adopting these disclosure requirements in 2012.

3. Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation with no effect on previously reported change in net assets.

4. Prior Period Adjustments

The Food Bank received grants in previous years for the construction and purchase of a building and equipment. The grants were recorded as revenue upon receipt, but were incorrectly released from temporarily restricted net assets. Unrestricted and temporarily restricted net assets have been adjusted by \$1,113,206 as of July 1, 2009 and \$4,500 was released from temporary restriction in the year ended June 30, 2010 in relation to this adjustment of purpose and time restrictions (see footnote 13). The adjustment has no effect on total net assets.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

5. Contributions Receivable

Contributions receivable at June 30 include the following:

	2011	2010
Receivable in less than one year	\$ 222,336	\$ 341,489
Receivable in one to five years	200,083	396,056
 Total contributions receivable	 422,419	 737,545
Less discount to present value	(18,958)	(39,804)
Less provision for uncollectable accounts	(75,000)	-
 Net contributions receivable	 \$ 328,461	 \$ 697,741

Contributions are recorded at fair value, estimated using the present value of estimated future cash flows and a discount rate of 3%. All contributions receivable are restricted for the purchase of property and equipment.

6. Fair Value Measurements

Generally accepted accounting principles provide a uniform framework for the definition, measurement and disclosure of fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Such accounting guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:* Quoted market prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2:* Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3:* Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements (Cont.)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Investment securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices for similar assets, if available. If quoted prices are not available, fair values are measured using matrix pricing models, or other model-based valuation techniques requiring observable inputs other than quoted prices such as yield curves, prepayment speeds, and default rates. Recurring Level 1 securities would include U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter markets. Recurring Level 2 securities include U.S. government agency securities, U.S. government sponsored agency securities, mortgage-backed securities, collateralized mortgage obligations and municipal bonds. Where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2011:				
Money market funds	\$ 2,378,692	\$ -	\$ 2,378,692	\$ -
Certificates of deposit	2,302,914	-	2,302,914	-
Corporate bonds and notes	2,047,727	-	2,047,727	-
Municipal securities	142,473	-	142,473	-
Preferred securities	203,036	-	203,036	-
Government securities	304,163	-	304,163	-
Total	<u>\$ 7,379,005</u>	<u>\$ -</u>	<u>\$ 7,379,005</u>	<u>\$ -</u>
June 30, 2010:				
Certificates of deposit	\$ 393,000	\$ -	\$ 393,000	\$ -
Money market funds	327,679	-	327,679	-
Total	<u>\$ 720,679</u>	<u>\$ -</u>	<u>\$ 720,679</u>	<u>\$ -</u>

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements (Cont.)

Fair values of assets and liabilities measured on a non-recurring basis at June 30, 2011 are as follows:

	Fair Value Measurements at Reporting Date Using				Total Losses
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Property	\$ 678,750	\$ -	\$ 678,750	\$ -	\$ (1,631,283)

In the year ending June 30, 2011, the Food Bank's St. Charles, Illinois property (which includes land, building and improvements) with a carrying value of \$2,310,033, was written down to its fair value of \$725,000, less cost to sell of \$46,250 (or \$678,750), resulting in an impairment loss on property of \$1,631,283.

The determination of the estimated fair value of the property was based on an offer received for its purchase.

7. Investments

The cost and fair value of investments held by the Food Bank as of June 30, 2011 and 2010 consist of the following:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 2,378,692	\$ 2,378,692	\$ 327,679	\$ 327,679
Certificates of deposit	2,308,053	2,302,914	393,000	393,000
Corporate bonds and notes	2,093,878	2,047,727	-	-
Municipal securities	144,770	142,473	-	-
Preferred securities	201,820	203,036	-	-
Government securities	304,455	304,163	-	-
	<u>\$ 7,431,668</u>	<u>\$ 7,379,005</u>	<u>\$ 720,679</u>	<u>\$ 720,679</u>

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

7. Investments (Cont.)

The investment return as of June 30 is as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 84,634	\$ 26,976
Realized loss	(19,230)	-
Unrealized loss	<u>(47,246)</u>	<u>-</u>
	<u>\$ 18,158</u>	<u>\$ 26,976</u>

8. Inventory

Inventory at June 30 is comprised of the following:

	<u>2011</u>	<u>2010</u>
Donated	\$ 4,777,025	\$ 4,978,608
Purchased	475,017	372,216
USDA (EFP)	176,522	304,693
Healthy Families (formerly Food for Families)	<u>-</u>	<u>227,649</u>
	<u>\$ 5,428,564</u>	<u>\$ 5,883,166</u>

9. Property and Equipment

The Food Bank's property and equipment at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 595,000	\$ 750,000
Averill Road property	12,883,450	361,418
Averill land	2,304,942	2,304,942
Building and improvements	2,455,628	3,269,655
Furniture and equipment	941,308	529,211
Computer	380,220	330,295
Vehicles	<u>1,676,570</u>	<u>1,527,008</u>
	21,237,118	9,072,529
Less: accumulated depreciation	<u>3,514,812</u>	<u>3,049,302</u>
	<u>\$ 17,722,306</u>	<u>\$ 6,023,227</u>

In the year ended June 30, 2011, interest in the amount of \$247,144 was capitalized, which was net of interest earned of \$46,073. No interest was capitalized in 2010.

For the years ended June 30, 2011 and 2010, depreciation expense was \$483,487 and \$381,658, respectively.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

10. Bonds Payable

The Food Bank issued 25-year variable rate tax-exempt bonds through the City of Geneva, Kane County, Illinois (the City) in the amount of \$12,000,000, dated as of November 2010. The Food Bank entered into a loan agreement with the City for the proceeds of the bond issue, which were held by the trustee (Amalgamated Bank of Chicago) and disbursed periodically for payment of costs incurred in conjunction with the Food Bank's construction of a warehouse and certain food storage facilities and related property in the City of Geneva, Illinois. The bonds have a maturity date of May 1, 2037. Interest is payable monthly at 3.65% through November 2015 after which interest will adjust on specified reset dates. Principal payments are scheduled monthly beginning June 1, 2012 as follows:

<u>Year Ending June 30,</u>	
2012	\$ 40,000
2013	480,000
2014	480,000
2015	480,000
2016	480,000
Thereafter	<u>10,040,000</u>
	<u>\$ 12,000,000</u>

Costs associated with the issuance of the bonds totaled \$132,838 and are being amortized using the straight-line method over the terms of the respective bonds. Amortization charged to interest expense during the year ended June 30, 2011 was \$3,544.

11. Line of Credit

The Food Bank had a line of credit of \$1,503,420 during fiscal year 2010. This principal was paid in full on January 22, 2010 and the agreement expired. Monthly payments of interest at a rate of 5.75% were required through January 2010 and amounted to \$28,200 for the year ended June 30, 2010.

12. Operating Leases

The Food Bank leases the facilities for its branch locations, vehicles and equipment under operating leases. The leases expire at various dates through August 2013 with options to renew. Facility rental expense under these leases was \$180,317 and \$149,990 for 2011 and 2010, respectively. Vehicles and equipment expense under these leases was \$96,365 and \$50,918 for 2011 and 2010, respectively.

The future minimum lease payments due under the terms of the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 77,160
2013	78,034
2014	<u>13,048</u>
	<u>\$ 168,242</u>

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

13. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	2011	2010
Construction of new facility	\$ 553,463	\$ 1,399,263
Purpose restricted, primarily programs	1,520,082	954,828
Use restriction on building:		
Expiring in 2014	11,625	16,125
Expiring in 2016	1,067,041	916,548
Expiring in 2018	297,745	297,745
Expiring in 2021	50,000	-
Expiring in 2023	65,466	65,466
Expiring in 2029	329,120	329,120
Expiring in 2031	250,000	-
Expiring in 2032	200,000	-
	\$ 4,344,542	\$ 3,979,095

At June 30, 2011, the Food Bank's temporarily restricted net asset balance includes \$1,291,384 of net assets restricted for use at the Food Bank's St. Charles, Illinois location. Depending on the future use of the St. Charles facility and its potential sale, unless those restrictions are released or transferred to the Geneva, Illinois facility, some or all of the \$1,291,384 in temporarily restricted net assets may be required to be returned to the entities that imposed the use restrictions.

14. Retirement Plan

The Food Bank sponsors a deferred compensation plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers all eligible employees and is subject to a vesting schedule for employer contributions. The Food Bank contributes annually 2% of considered compensation and also provides for a matching contribution on 50% of employee contributions, up to 2%. For the years ended June 30, 2011 and 2010, employer contributions were \$80,976 and \$66,594, respectively.

15. Related Parties

An architectural firm owned by a board member provided architectural services to the Food Bank and received \$294,633 and \$174,600 in fees for the years ended June 30, 2011 and 2010, respectively.

A company with a board member as a managing partner provided event management services to the Food Bank and received \$7,449 in management fees and \$7,672 in reimbursement of expenses for the year ended June 30, 2011, and \$25,000 in management fees and \$19,552 in reimbursement of expenses for the year ended June 30, 2010.

For the year ended June 30, 2011, a board member received \$8,334 in consulting fees.

For the year ended June 30, 2010, a board member received \$26,939 in project management fees.

NORTHERN ILLINOIS FOOD BANK
NOTES TO FINANCIAL STATEMENTS

16. Subsequent Events

The Food Bank has evaluated subsequent events through January 24, 2012, the date the financial statements were available to be issued.

In September 2011, the Food Bank moved from its St. Charles, Illinois location to its newly constructed facilities in City of Geneva, Illinois.

In September 2011, the Food Bank received a temporarily restricted grant in the amount of \$225,000 to be used for the purchase and development of a Food Distribution and Community Nutrition Center.