

Northern Illinois Food Bank

Financial Report
June 30, 2015

Northern Illinois Food Bank

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Independent Auditor's Report

To the Board of Directors
Northern Illinois Food Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Illinois Food Bank (the "Food Bank"), which comprise the statement of financial position as of June 30, 2015 and 2014 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Northern Illinois Food Bank

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, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015 on our consideration of the 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* in considering Northern Illinois Food Bank's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2015

Northern Illinois Food Bank

Statement of Financial Position

	June 30, 2015			June 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Assets						
Cash and cash equivalents	\$ 4,232,470	\$ 1,323,027	\$ 5,555,497	\$ 6,086,805	\$ 1,402,937	\$ 7,489,742
Investments (Note 3)	4,196,549	-	4,196,549	1,689,793	-	1,689,793
Accounts receivable:						
Grants receivable	418,897	37,315	456,212	433,651	-	433,651
Accounts receivable	91,209	-	91,209	90,850	-	90,850
Contributions receivable - Net (Note 2)	3,064	344,453	347,517	30,103	399,026	429,129
Inventory (Note 4)	12,142,603	-	12,142,603	10,443,593	-	10,443,593
Prepaid expenses	31,410	-	31,410	31,595	-	31,595
Bond issue costs - Net	149,450	-	149,450	156,866	-	156,866
Deposits and coupons	5,218	-	5,218	5,218	-	5,218
Property and equipment - Net (Note 5)	17,823,376	1,519,881	19,343,257	17,298,395	1,519,881	18,818,276
Total assets	\$ 39,094,246	\$ 3,224,676	\$ 42,318,922	\$ 36,266,869	\$ 3,321,844	\$ 39,588,713
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 713,072	\$ -	\$ 713,072	\$ 508,234	\$ -	\$ 508,234
Bonds payable (Note 6)	8,701,493	-	8,701,493	9,100,035	-	9,100,035
Accrued liabilities and other:						
Due to agencies	145,128	-	145,128	117,163	-	117,163
Accrued wages	981,549	-	981,549	851,143	-	851,143
Accrued capital spending	179,168	-	179,168	-	-	-
Other accrued expenses	5,403	-	5,403	53,750	-	53,750
Total liabilities	10,725,813	-	10,725,813	10,630,325	-	10,630,325
Net Assets						
Unrestricted:						
Undesignated	27,968,433	-	27,968,433	25,236,544	-	25,236,544
Board designated	400,000	-	400,000	400,000	-	400,000
Temporarily restricted	-	3,224,676	3,224,676	-	3,321,844	3,321,844
Total net assets	28,368,433	3,224,676	31,593,109	25,636,544	3,321,844	28,958,388
Total liabilities and net assets	\$ 39,094,246	\$ 3,224,676	\$ 42,318,922	\$ 36,266,869	\$ 3,321,844	\$ 39,588,713

Northern Illinois Food Bank

Statement of Activities and Changes in Net Assets

	Year Ended									
	June 30, 2015					June 30, 2014				
	Unrestricted		Total Unrestricted	Temporarily Restricted	Total	Unrestricted		Total Unrestricted	Temporarily Restricted	Total
Food Bank Operations	Donated Food	Food Bank Operations				Donated Food				
Revenue and Support										
Contributions and grants	\$ 8,282,333	\$ -	\$ 8,282,333	\$ 2,744,906	\$ 11,027,239	\$ 7,948,220	\$ -	\$ 7,948,220	\$ 2,725,522	\$ 10,673,742
Fees and grants from government agencies	3,005,903	-	3,005,903	173,000	3,178,903	2,970,010	-	2,970,010	91,750	3,061,760
Program service fees	4,662,596	-	4,662,596	-	4,662,596	4,581,536	-	4,581,536	-	4,581,536
Donated goods and services	210,070	124,830,187	125,040,257	-	125,040,257	157,146	113,367,714	113,524,860	-	113,524,860
Investment income	59,295	-	59,295	-	59,295	54,895	-	54,895	-	54,895
Miscellaneous income	28,341	-	28,341	-	28,341	22,967	-	22,967	-	22,967
Total revenue and support	16,248,538	124,830,187	141,078,725	2,917,906	143,996,631	15,734,774	113,367,714	129,102,488	2,817,272	131,919,760
Net assets released from restrictions	3,015,074	-	3,015,074	(3,015,074)	-	2,427,521	-	2,427,521	(2,427,521)	-
Total revenue, support, and net assets released from restrictions	19,263,612	124,830,187	144,093,799	(97,168)	143,996,631	18,162,295	113,367,714	131,530,009	389,751	131,919,760
Expenses										
Program services - Food Bank operations	14,911,386	123,278,926	138,190,312	-	138,190,312	14,073,972	112,531,205	126,605,177	-	126,605,177
Support services:										
Management and general	883,716	-	883,716	-	883,716	949,058	-	949,058	-	949,058
Fundraising	2,287,882	-	2,287,882	-	2,287,882	1,998,005	-	1,998,005	-	1,998,005
Total expenses	18,082,984	123,278,926	141,361,910	-	141,361,910	17,021,035	112,531,205	129,552,240	-	129,552,240
Increase (Decrease) in Net Assets	1,180,628	1,551,261	2,731,889	(97,168)	2,634,721	1,141,260	836,509	1,977,769	389,751	2,367,520
Net Assets - Beginning of year	15,674,574	9,961,970	25,636,544	3,321,844	28,958,388	14,533,314	9,125,461	23,658,775	2,932,093	26,590,868
Net Assets - End of year	\$ 16,855,202	\$ 11,513,231	\$ 28,368,433	\$ 3,224,676	\$ 31,593,109	\$ 15,674,574	\$ 9,961,970	\$ 25,636,544	\$ 3,321,844	\$ 28,958,388

Northern Illinois Food Bank

Statement of Functional Expenses

	Year Ended							
	June 30, 2015				June 30, 2014			
	Program Services		Support Services		Program Services		Support Services	
	Food Bank Operations	Management and General	Fundraising	Total	Food Bank Operations	Management and General	Fundraising	Total
Staff salaries	\$ 4,191,928	\$ 401,520	\$ 577,396	\$ 5,170,844	\$ 3,793,675	\$ 434,636	\$ 533,302	\$ 4,761,613
Payroll taxes	314,250	24,728	44,439	383,417	280,389	29,542	38,894	348,825
Health insurance	613,734	18,695	58,043	690,472	512,934	31,609	49,963	594,506
Retirement plan	88,029	8,838	14,818	111,685	93,216	10,380	15,364	118,960
Total salaries and related expenses	5,207,941	453,781	694,696	6,356,418	4,680,214	506,167	637,523	5,823,904
Contributed food distributed	123,278,925	-	-	123,278,925	112,531,205	-	-	112,531,205
Purchased food distributed	5,390,007	-	-	5,390,007	5,357,739	-	-	5,357,739
Transportation	658,910	153	73	659,136	720,908	-	-	720,908
Operating supplies	466,502	-	-	466,502	450,486	-	-	450,486
Occupancy and utilities	377,166	3,092	6,183	386,441	354,543	2,906	5,812	363,261
Mortgage interest	220,620	1,808	3,617	226,045	230,485	1,889	3,778	236,152
Facility rental	156,352	-	-	156,352	133,440	-	-	133,440
Insurance	235,266	8,220	2,420	245,906	273,418	8,182	3,523	285,123
Equipment purchase, maintenance, and rental	70,538	227	-	70,765	59,484	544	-	60,028
Building maintenance	176,054	1,443	2,886	180,383	152,894	1,253	2,506	156,653
Office and technology supplies	175,064	9,428	14,495	198,987	96,883	8,259	5,383	110,525
Agency grants	211,879	-	-	211,879	182,833	-	-	182,833
Local travel	111,442	3,619	16,405	131,466	95,269	2,269	14,796	112,334
Telecommunications	41,442	26,310	1,823	69,575	39,921	27,939	2,052	69,912
Feeding America and Feeding Illinois fees	-	81,908	-	81,908	-	48,892	-	48,892
Direct mail, promotional, and advertising	109,442	107,378	969,619	1,186,439	80,868	100,501	869,072	1,050,441
Conferences and meetings	35,074	5,346	7,434	47,854	20,036	5,107	7,724	32,867
Postage and shipping	3,637	16,220	36,351	56,208	2,995	15,917	32,203	51,115
Staffing development	27,612	8,675	7,402	43,689	26,764	5,305	6,635	38,704
Dues and subscriptions	27,713	11,056	68,233	107,002	20,365	7,669	48,953	76,987
Special events	-	-	192,956	192,956	-	-	152,852	152,852
Professional and consulting fees	73,918	105,401	70,852	250,171	35,693	153,160	35,632	224,485
Printing and publications	19,273	21,282	43,915	84,470	16,513	19,239	35,769	71,521
Donated goods and services	80,579	922	77,568	159,069	63,689	14,047	67,909	145,645
Miscellaneous	36,144	2,271	55,350	93,765	25,733	3,864	49,754	79,351
Total functional expenses before depreciation and amortization	137,191,500	868,540	2,272,278	140,332,318	125,652,378	933,109	1,981,876	128,567,363
Depreciation and amortization	998,812	15,176	15,604	1,029,592	952,799	15,949	16,129	984,877
Total functional expenses	<u>\$ 138,190,312</u>	<u>\$ 883,716</u>	<u>\$ 2,287,882</u>	<u>\$ 141,361,910</u>	<u>\$ 126,605,177</u>	<u>\$ 949,058</u>	<u>\$ 1,998,005</u>	<u>\$ 129,552,240</u>

Northern Illinois Food Bank

Statement of Cash Flows

	Year Ended	
	June 30, 2015	June 30, 2014
Cash Flows from Operating Activities		
Cash and cash equivalents received from support and revenue	\$ 19,065,965	\$ 18,131,794
Cash and cash equivalents paid for operating expenses	<u>(16,575,824)</u>	<u>(16,032,765)</u>
Net cash and cash equivalents provided by operating activities	2,490,141	2,099,029
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,497,907)	(360,468)
Proceeds from sale of property and equipment	13,313	13,450
Purchase of investments	(3,637,189)	(996,761)
Proceeds from sale of investments	<u>1,095,939</u>	<u>907,963</u>
Net cash and cash equivalents used in investing activities	(4,025,844)	(435,816)
Cash Flows from Financing Activities -		
Principal payments on tax exempt revenue bonds	<u>(398,542)</u>	<u>(398,542)</u>
Net cash and cash equivalents used in financing activities	<u>(398,542)</u>	<u>(398,542)</u>
Net (Decrease) Increase in Cash	(1,934,245)	1,264,671
Cash and Cash Equivalents - Beginning of year	<u>7,489,742</u>	<u>6,225,071</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 5,555,497</u></u>	<u><u>\$ 7,489,742</u></u>

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Statement of Cash Flows (Continued)

A reconciliation of the change in net assets to net cash provided by operating activities is as follows:

	Year Ended	
	June 30, 2015	June 30, 2014
Change in net assets	\$ 2,634,721	\$ 2,367,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,029,592	984,877
Gain on sale of property and equipment	(11,562)	(4,842)
Net realized and change in unrealized loss on investments	34,494	24,119
(Decrease) increase in provision for uncollectible accounts	(92,691)	96,396
Noncash contribution of property and equipment	(51,000)	(11,500)
Noncash donated goods and services	(124,830,187)	(113,367,714)
Noncash donated goods and services expense	123,278,926	112,531,205
(Increase) decrease in operating assets:		
Accounts receivable	(359)	8,669
Grants receivable	(22,561)	(97,075)
Contributions receivable	174,303	(388,014)
Purchased inventory	(147,750)	(44,511)
Prepaid expenses	185	13,869
Accounts payable	204,838	5,460
Accrued expenses	261,227	28,575
Due to agencies	27,965	(48,005)
Net cash and cash equivalents provided by operating activities	<u>\$ 2,490,141</u>	<u>\$ 2,099,029</u>

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note I - Nature of Activities and Significant Accounting Policies

Nature of 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 leads the northern Illinois community in solving hunger by providing nutritious meals to those in need through innovative programs and partnerships. Food manufacturers, local groceries, corporations, foundations, and individuals come together to donate food and funds, and evaluate and repack food for distribution to the Food Bank's partner feeding programs that, in turn, provide the food to hungry people in the community. More than 71,000 different people each week rely on the food provided by Northern Illinois Food Bank through its 800 member food pantries, soup kitchens, shelters, and youth and senior feeding programs in 13 counties. The Food Bank's major sources of revenue are received from contributions, grants, and program services fees.

Significant accounting policies are as follows:

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).

Classification of Net Assets - Net assets of the Food Bank are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Food Bank's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents - The Food Bank considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents. The Food Bank maintains its cash and cash equivalents in bank deposit accounts at West Suburban Bank and BMO Harris Bank, the balances of which at times exceed federally insured limits. The Food Bank has not experienced any losses in such accounts. The Food Bank believes it is not exposed to any significant credit risk on cash and cash equivalents.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

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.

Contributions Receivable - Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Food Bank provides an allowance for estimated uncollectible contributions based on its historical experience of the relationship between actual bad debts and net amounts pledged.

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 recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. All expenditures for property and equipment over \$2,500 are capitalized.

Costs of maintenance and repairs are charged to expense when incurred.

The Food Bank reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Food Bank reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Fair Value of Financial Instruments - A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

- **Financial Instruments** - The fair values of financial instruments, including cash equivalents, accounts receivable, inventory, and accrued liabilities, approximate the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

- **Investments** - Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 3.
- **Bonds Payable** - The fair value of the bonds payable approximates the carrying amounts in the accompanying financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

In-kind Contributions and Contributed Services - In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Food Bank recorded in-kind contributions, which included special event items, miscellaneous services and supplies, and fixed assets in the amount of \$210,070 and \$157,146 in fiscal years 2015 and 2014, respectively. The Food Bank has also recorded \$124,830,187 and \$113,367,714 of donated food in fiscal years 2015 and 2014, respectively. Donated food is valued based on a survey published by Feeding America. With the exception of the fixed assets which were capitalized, these amounts have been reported as both donated goods and services revenue and donated goods and services expense on the statement of activities and changes in net assets.

A substantial number of volunteers provide nonspecialized services to the Food Bank throughout the year; however, no amounts are recorded in the financial statements as they do not meet the criteria for financial statement recognition.

The Food Bank is a sponsor of the AmeriCorps VISTA program. AmeriCorps VISTA members make a year-long, full-time commitment to serve at the Food Bank on capacity building and community engagement projects. The VISTA members working at the Food Bank are considered volunteers and no amounts are recorded in the financial statements as they do not meet the criteria for financial statement recognition.

Federal Income Taxes - The Food Bank is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Food Bank and recognize a tax liability if the Food Bank has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Food Bank is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable are valued at management's estimate of the amount that will ultimately be collected. Based on experience and the low allowable limits granted to purchasing agencies, management does not consider it necessary to establish an allowance for trade receivables. The Food Bank uses the direct write-off method for uncollectible accounts when management determines that the receivable will not be collected.

Inventory - Inventory, which consists of food and other supplies, is stated at the lower of cost or market, by use of the first-in, first-out (FIFO) method of valuation. 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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 9, 2015, which is the date the financial statements were available to be issued.

Upcoming Accounting Change - The Financial Accounting Standards Board issued new guidance in 2009 on accounting for arrangements and contracts with customers, which include multiple revenue generating activities or products. Specifically, the standard provides new guidance in how to separate the multiple products or services in the contract into separate deliverables and how and when revenues for those separate deliverables will be recognized. The sale of tangible products that include computer hardware and software components that function together will be impacted by the new guidance. As a result of the change, deliverables are expected to meet separation criteria and be accounted for as an individual revenue transaction more frequently than under current accounting standards. This new standard is effective for fiscal years beginning on or after December 15, 2019. Early application is allowed. At the time of implementation, the Food Bank can apply the new standards prospectively or retrospectively. The Food Bank is currently assessing the impact this new standard will have on its financial statements.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 2 - Contributions Receivable

Contributions receivable at June 30 include the following:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 282,314	\$ 417,621
One to five years	<u>81,000</u>	<u>134,000</u>
Total minimum contributions receivable	363,314	551,621
Less:		
Discounts on contributions	(3,797)	(734)
Allowance for doubtful accounts	<u>(12,000)</u>	<u>(121,758)</u>
Net minimum contributions receivable	<u>\$ 347,517</u>	<u>\$ 429,129</u>

The Food Bank used a rate of 3 percent to calculate the present value of contributions receivable. Contributions receivable are restricted for the purchase of food and property and equipment.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Food Bank's assets measured at fair value on a recurring basis at June 30, 2015 and 2014 and the valuation techniques used by the Food Bank to determine those fair values.

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

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

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Food Bank has no Level 3 investments.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Food Bank's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2015
Investments:				
Money market funds	\$ -	\$ 39,652	\$ -	\$ 39,652
Corporate bonds and notes	-	1,009,647	-	1,009,647
Municipal securities	-	282,649	-	282,649
Exchange-traded funds	71,370	-	-	71,370
Preferred securities	-	97,950	-	97,950
Negotiable certificates of deposit	-	2,682,050	-	2,682,050
Total investments	<u>\$ 71,370</u>	<u>\$ 4,111,948</u>	<u>\$ -</u>	<u>\$ 4,183,318</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2014
Investments:				
Money market funds	\$ -	\$ 232,883	\$ -	\$ 232,883
Corporate bonds and notes	-	896,375	-	896,375
Municipal securities	-	281,054	-	281,054
Exchange-traded funds	74,610	-	-	74,610
Preferred securities	104,436	98,803	-	203,239
Total investments	<u>\$ 179,046</u>	<u>\$ 1,509,115</u>	<u>\$ -</u>	<u>\$ 1,688,161</u>

The fair values of money market funds, certificates of deposit, corporate bonds and notes, municipal securities, and preferred securities at June 30, 2015 and 2014 were determined primarily based on Level 2 inputs. The Food Bank estimates the fair value of these investments based on comparable security transactions or observable yield curves for comparable securities.

Not included in the above table is \$13,231 and \$1,632 of cash held in the investment account at June 30, 2015 and 2014, respectively.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Fair Value Measurements (Continued)

The Food Bank's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. During the years ended June 30, 2015 and 2014, there were no such transfers.

Note 4 - Inventory

Inventory at June 30, 2015 and 2014 is comprised of the following:

	2015	2014
Donated	\$ 10,953,425	\$ 8,776,208
Purchased	569,334	480,884
United States Department of Agriculture (Emergency Food Program)	560,546	1,186,501
Emergency Food and Shelter Program (EFSP)	59,298	-
Total inventory	<u>\$ 12,142,603</u>	<u>\$ 10,443,593</u>

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

	2015	2014	Depreciable Life - Years
Geneva building	\$ 16,249,632	\$ 15,533,137	39
Geneva land	2,338,673	2,338,673	-
Building and improvements	773,590	676,830	5-39
Furniture and equipment	1,774,477	1,660,898	5-10
Computers	323,217	309,455	3
Vehicles	2,722,881	2,248,536	5
Total cost	24,182,470	22,767,529	
Accumulated depreciation	4,839,213	3,949,253	
Net property and equipment	<u>\$ 19,343,257</u>	<u>\$ 18,818,276</u>	

Depreciation expense was \$1,022,176 for 2015 and \$977,461 for 2014.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 6 - Bonds Payable

Bonds payable consist of the following:

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. The bonds have a maturity date of May 1, 2037 and are secured by the real estate located in the Village of Geneva, Kane County, Illinois.

Interest is payable monthly at 2.50 percent through May 1, 2023, after which the rate will adjust on specified reset dates. Principal payments in the amount of \$33,212 are also payable monthly.

Minimum principal payments on the bonds payable to maturity as of June 30, 2015 are as follows:

Years Ending June 30	Amount
2016	\$ 398,542
2017	398,542
2018	398,542
2019	398,542
2020	398,542
Thereafter	<u>6,708,783</u>
Total	<u>\$ 8,701,493</u>

The fair values of variable rate bonds payable approximate their carrying amounts because the current effective rates reflect market rates.

Total interest expense incurred and paid was \$226,045 and \$236,152 for the years ended June 30, 2015 and 2014, respectively.

Costs associated with the issuance of the bonds and execution of the modification totaled \$178,633 and are being amortized using the straight-line method over the term of the bonds. Amortization charged to expense during the years ended June 30, 2015 and 2014 was \$7,416.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Operating Leases

The Food Bank leases its branch location facilities, which expire at various dates, with options to renew. Facility rental expense under these leases was \$156,352 and \$133,440 for 2015 and 2014, respectively.

The Food Bank also leases vehicles and equipment on a month-to-month basis. Expense under these leases was \$70,765 and \$103,556 for 2015 and 2014, respectively.

The future minimum lease payments due under the terms of the operating leases are listed below. The lease term for the Park City location ends August 31, 2016. A new lease for the Rockford location was agreed on and extends the lease through December 31, 2024.

2016	\$ 133,208
2017	64,247
2018	53,200
2019	55,200
Thereafter	<u>323,000</u>
Total	<u>\$ 628,855</u>

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are restricted for the following:

	<u>2015</u>	<u>2014</u>
Construction of new facility	\$ -	\$ 18,216
Purpose restricted - Primarily programs	1,704,796	1,783,747
Use restriction on building:		
Expiring in 2016	303,096	303,097
Expiring in 2018	89,323	89,323
Expiring in 2020	50,000	50,000
Expiring in 2023	65,466	65,466
Expiring in 2028	329,120	329,120
Expiring in 2030	250,000	250,000
Expiring in 2031	425,000	425,000
Expiring in 2032	<u>7,875</u>	<u>7,875</u>
Total temporarily restricted net assets	<u>\$ 3,224,676</u>	<u>\$ 3,321,844</u>

The use restriction on building relates to forgivable mortgage notes totaling approximately \$1,500,000 as of June 30, 2015. These mortgage notes, the remaining balance of which is recorded as temporarily restricted net assets, will be forgiven as indicated in the above table as long as the Food Bank complies with the requirements of these notes. Management fully expects that it will.

Northern Illinois Food Bank

Notes to Financial Statements June 30, 2015 and 2014

Note 9 - Retirement Plan

The Food Bank participates in a defined contribution 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 percent of considered compensation and also matches 50 percent of an employee's contribution with a maximum matching contribution of 2 percent. For the years ended June 30, 2015 and 2014, employer contributions were \$111,685 and \$118,960, respectively.

Note 10 - Related Party Transactions

The Food Bank paid \$508,035 and \$490,627 during the years ended June 30, 2015 and 2014, respectively, for food provided by a firm for whom a board member is a senior manager.