
Northern Illinois Food Bank

Financial Report
June 30, 2020

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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, 2020 and 2019 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.

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, 2020 and 2019 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 2 to the financial statements, the Food Bank adopted the provisions of Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for the year ended June 30, 2020. Our opinion is not modified with respect to these matters.

To the Board of Directors
Northern Illinois Food Bank

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020 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, 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 29, 2020

Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 14,627,560	\$ 3,929,010
Certificates of deposit	1,013,333	-
Investments (Note 4)	12,145,907	11,251,013
Receivables:		
Grants receivable	663,386	1,190,441
Accounts receivable	200,134	107,181
Contributions receivable - Net (Note 3)	274,574	407,951
Inventory (Note 5)	12,239,481	5,893,368
Prepaid expenses and other assets:		
Prepaid expenses	36,460	64,426
Deposits and coupons	5,000	5,000
Property and equipment - Net (Note 6)	17,780,573	17,951,725
	\$ 58,986,408	\$ 40,800,115
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,147,751	\$ 1,100,635
Accrued liabilities and other:		
Due to agencies	437,045	250,444
Accrued wages	1,219,470	920,091
Other accrued expenses	173,295	220,463
Bonds payable - Net (Note 7)	6,196,394	6,587,520
Paycheck Protection Program loan (Note 8)	1,222,230	-
	11,396,185	9,079,153
Total liabilities		
Net Assets		
Without donor restrictions:		
Without donor restrictions	42,286,238	27,738,362
Board designated	1,299,067	1,121,458
	43,585,305	28,859,820
Total without donor restrictions		
With donor restrictions	4,004,918	2,861,142
	47,590,223	31,720,962
Total net assets		
	\$ 58,986,408	\$ 40,800,115
Total liabilities and net assets		

Northern Illinois Food Bank

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Program service fees	\$ 3,996,267	\$ -	\$ 3,996,267	\$ 3,771,438	\$ -	\$ 3,771,438
Contributions and grants	20,321,263	5,096,378	25,417,641	10,890,175	3,004,962	13,895,137
Fees and grants from government agencies	4,816,879	-	4,816,879	4,208,254	-	4,208,254
Miscellaneous income	58,818	-	58,818	13,769	-	13,769
Donated goods and services	148,369,352	-	148,369,352	113,477,888	-	113,477,888
Investment income - Net	597,901	-	597,901	680,727	-	680,727
Net assets released from restrictions	3,952,602	(3,952,602)	-	3,342,221	(3,342,221)	-
Total revenue and support	182,113,082	1,143,776	183,256,858	136,384,472	(337,259)	136,047,213
Expenses						
Program services:						
Food Bank operations	19,691,388	-	19,691,388	16,361,330	-	16,361,330
Contributed food distributed	142,153,370	-	142,153,370	112,787,182	-	112,787,182
Total program services	161,844,758	-	161,844,758	129,148,512	-	129,148,512
Support services:						
Management and general	2,430,141	-	2,430,141	2,102,772	-	2,102,772
Fundraising	3,112,698	-	3,112,698	2,991,360	-	2,991,360
Total expenses	167,387,597	-	167,387,597	134,242,644	-	134,242,644
Increase (Decrease) in Net Assets	14,725,485	1,143,776	15,869,261	2,141,828	(337,259)	1,804,569
Net Assets - Beginning of year	28,859,820	2,861,142	31,720,962	26,717,992	3,198,401	29,916,393
Net Assets - End of year	\$ 43,585,305	\$ 4,004,918	\$ 47,590,223	\$ 28,859,820	\$ 2,861,142	\$ 31,720,962

Northern Illinois Food Bank

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services		Support Services		Total
	Food Bank Operations	Management and General	Fundraising		
Staff salaries	\$ 5,086,200	\$ 1,546,783	\$ 1,035,649	\$ 7,668,632	
Payroll taxes	409,126	107,590	79,561	596,277	
Health insurance	699,628	142,345	96,568	938,541	
Retirement plan	97,477	38,680	33,646	169,803	
Total salaries and related expenses	6,292,431	1,835,398	1,245,424	9,373,253	
Contributed food distributed	142,153,370	-	-	142,153,370	
Purchased food distributed	7,036,879	-	-	7,036,879	
Transportation	930,848	-	-	930,848	
Operating supplies	1,214,823	-	-	1,214,823	
Occupancy and utilities	455,514	26,419	23,762	505,695	
Mortgage interest	149,283	16,032	7,787	173,102	
Facility rental	264,169	-	-	264,169	
Insurance	253,372	9,934	3,150	266,456	
Equipment purchase, maintenance, and rental	140,955	319	-	141,274	
Building maintenance	250,353	14,498	13,043	277,894	
Office and technology supplies	178,468	57,646	21,519	257,633	
Agency grants	605,730	-	-	605,730	
Local travel	104,105	8,461	10,425	122,991	
Telecommunications	73,012	35,970	2,016	110,998	
Feeding America and Feeding Illinois fees	-	71,343	-	71,343	
Direct mail, promotional, and advertising	1,769	32,116	1,200,895	1,234,780	
Conferences and meetings	43,122	20,958	7,699	71,779	
Postage and shipping	974	13,831	41,069	55,874	
Staffing development	38,721	17,533	7,944	64,198	
Dues and subscriptions	89,232	17,100	61,604	167,936	
Special events	-	101	139,413	139,514	
Professional and consulting fees	398,203	205,929	47,137	651,269	
Printing and publications	15,802	7,570	52,696	76,068	
Donated goods and services	86,233	1,466	60,389	148,088	
Miscellaneous	24,297	3,572	136,244	164,113	
Depreciation	1,043,093	33,945	30,482	1,107,520	
Total functional expenses	\$ 161,844,758	\$ 2,430,141	\$ 3,112,698	\$ 167,387,597	

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services		Support Services		Total
	Food Bank Operations	Management and General	Fundraising		
Staff salaries	\$ 4,313,793	\$ 1,337,562	\$ 952,498	\$ 6,603,853	
Payroll taxes	353,706	105,462	74,968	534,136	
Health insurance	560,413	144,027	112,676	817,116	
Retirement plan	74,885	25,853	27,234	127,972	
Total salaries and related expenses	5,302,797	1,612,904	1,167,376	8,083,077	
Contributed food distributed	112,787,182	-	-	112,787,182	
Purchased food distributed	5,953,883	-	-	5,953,883	
Transportation	839,256	-	-	839,256	
Operating supplies	842,462	-	-	842,462	
Occupancy and utilities	315,729	17,463	16,066	349,258	
Mortgage interest	158,387	16,176	8,060	182,623	
Facility rental	224,291	-	-	224,291	
Insurance	216,127	15,393	5,425	236,945	
Equipment purchase, maintenance, and rental	103,928	364	64	104,356	
Building maintenance	225,702	12,523	11,485	249,710	
Office and technology supplies	229,821	32,386	17,295	279,502	
Agency grants	198,848	-	-	198,848	
Local travel	114,076	9,765	13,334	137,175	
Telecommunications	77,872	30,879	2,173	110,924	
Feeding America and Feeding Illinois fees	-	87,283	-	87,283	
Direct mail, promotional, and advertising	22,093	25,849	1,064,493	1,112,435	
Conferences and meetings	40,283	23,876	13,040	77,199	
Postage and shipping	1,465	14,541	47,368	63,374	
Staffing development	41,011	6,305	9,715	57,031	
Dues and subscriptions	49,803	9,573	56,394	115,770	
Special events	1,239	450	193,040	194,729	
Professional and consulting fees	205,039	131,692	117,099	453,830	
Printing and publications	2,856	7,794	44,304	54,954	
Donated goods and services	66,519	10,299	94,689	171,507	
Miscellaneous	36,875	3,624	79,320	119,819	
Depreciation	1,090,968	33,633	30,620	1,155,221	
Total functional expenses	\$ 129,148,512	\$ 2,102,772	\$ 2,991,360	\$ 134,242,644	

Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash and cash equivalents received from contributions and grants	\$ 25,365,147	\$ 13,741,584
Cash and cash equivalents received from program services	9,704,991	7,868,897
Cash paid to suppliers and employees	(23,043,801)	(19,919,889)
Net cash and cash equivalents provided by operating activities	12,026,337	1,690,592
Cash Flows from Investing Activities		
Purchase of property and equipment	(814,696)	(562,580)
Proceeds from sale of property and equipment	39,343	4,000
Purchase of investments	(4,544,608)	(3,183,356)
Proceeds from sale of investments	4,181,819	2,745,202
Purchase of certificates of deposit	(1,013,333)	-
Net cash and cash equivalents used in investing activities	(2,151,475)	(996,734)
Cash Flows from Financing Activities		
Principal payments on tax-exempt revenue bonds	(398,542)	(398,542)
Proceeds from Paycheck Protection Program loan	1,222,230	-
Net cash and cash equivalents provided by (used in) financing activities	823,688	(398,542)
Net Increase in Cash and Cash Equivalents	10,698,550	295,316
Cash and Cash Equivalents - Beginning of year	3,929,010	3,633,694
Cash and Cash Equivalents - End of year	\$ 14,627,560	\$ 3,929,010
Reconciliation of Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities		
Increase in net assets	\$ 15,869,261	\$ 1,804,569
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,114,936	1,162,637
Gain on sale of property and equipment	(39,343)	(4,000)
Net change in realized and unrealized loss on investments	(346,234)	(424,077)
Decrease in provision for uncollectible accounts	-	(8,835)
Noncash contribution of property and equipment	-	(1,000)
Noncash donated goods and services	(148,369,352)	(113,476,888)
Noncash donated goods and services expense	142,301,458	112,958,689
Noncash donated stock	(185,871)	(142,713)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(92,953)	10,187
Grants receivable	527,055	(439,394)
Contributions receivable	133,377	(2,005)
Purchased inventory	(278,219)	188,313
Prepaid expenses	27,966	(29,589)
Accounts payable	925,444	(52,870)
Accrued expenses	252,211	95,574
Due to agencies	186,601	51,994
Net cash and cash equivalents provided by operating activities	\$ 12,026,337	\$ 1,690,592

Note 1 - Nature of Business

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 member feeding programs that, in turn, provide the food to hungry people in the community. For the year ended June 30, 2020, the Food Bank provided more than 220,000 meals per day to neighbors across its 13 counties through its network of more than 900 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.

Note 2 - 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).

Classification of Net Assets

Net assets of the Food Bank are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Food Bank.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Bank or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Cash and Cash Equivalents

For the purpose of the accompanying financial statements, the Food Bank considers all highly liquid investments with original maturities of three months or less when purchased to be 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.

Certifications of Deposit

Certificates of deposit are classified as deposit accounts and are recorded at cost.

Inventory

The Food Bank's primary types of inventory are donated, purchased, and United States Department of Agriculture (USDA) Emergency Food Program (EFP) inventory.

Note 2 - Significant Accounting Policies (Continued)

Donated inventory represents items donated to the Food Bank for distribution. It is valued based on a survey published by Feeding America. The Food Bank uses the aggregate wholesale value included in the survey published by Feeding America. The Food Bank uses this method, as this approximates industry norms for the value of donated food received and distributed.

Purchased and Emergency Food and Shelter Program (EFSP) inventory are stated at the purchase price by use of the first-in, first out (FIFO) method of valuation.

USDA EFP inventory is valued based on the annual value of commodities provided by the Illinois Department of Human Services EFP program.

Revenue and Public Support

Unconditional promises to give cash and other assets to the Food Bank are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received. Conditional promises are recorded when donor stipulations are substantially met. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributions receivable that are expected to be collected within one year are recorded 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 discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

Revenue from government grants and contracts agreements is conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Any government grants received in advance of expenditures are recorded as deferred revenue on the statement of financial position. Management determines the allowances for doubtful accounts on its grant receivables by reviewing and identifying troubled accounts on a regular basis and by using historical experience. Grant receivables are written off when deemed uncollectible. The Food Bank did not record an allowance on its grant receivables, as it expects to receive outstanding amounts due subsequent to the fiscal year end.

Program service fees are the only revenue stream applicable under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Program service fees consist of revenue from the Food Bank's purchased and donated food program. In the purchased food program, the Food Bank buys certain commodities and generally distributes them to agencies at cost plus a shared maintenance fee. Shared maintenance is applied to both the purchased and donated food distributions in an effort to recover some of the costs of acquiring, storing, and handling the food. Purchased food revenue and shared maintenance revenue on donated food is recognized at the point in time in which the agency receives the food, as that is the point in time the Food Bank satisfies the performance obligation.

Investments

Investments are reported at fair value, with unrealized gains and losses reported in the change in net assets.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation. The straight-line method is used for computing depreciation. Assets are depreciated 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 support without donor restrictions 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.

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 support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Food Bank recorded in-kind contributions that included special event items, miscellaneous services and supplies, and fixed assets in the amount of \$148,088 and \$172,507 in fiscal years 2020 and 2019, respectively. The Food Bank has also recorded \$148,221,264 and \$113,305,381 of donated food in fiscal years 2020 and 2019, 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 AmeriCorps 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.

Income Taxes

The Food Bank is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Accounts Receivable

Accounts receivable are valued at management's estimate of the amount that ultimately will 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.

Board-designated Net Assets

Board-designated net assets are net assets without donor restrictions designated by the board for capital improvements and general expenditures. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

Costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

The expenses that are allocated include the following:

- Salaries and benefits - Salary allocation
- Occupancy and utilities - Square footage
- Mortgage interest - Square footage
- Insurance - Square footage
- Building maintenance - Square footage
- Local travel - Salary allocation
- Telecommunications - Salary allocation
- Conferences and meetings - Salary allocation
- Office and technology supplies - Headcount
- Staffing development - Headcount
- Dues and subscriptions - Headcount and square footage
- Professional and consulting fees - Headcount
- Miscellaneous - Headcount
- Depreciation - Headcount and square footage

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Food Bank adopted the ASU effective July 1, 2019 using the modified retrospective method.

As of July 1, 2019, the Food Bank adopted Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Food Bank adopted the new standard on a modified prospective basis; however, it did not impact the recognition of contribution or grant agreements received. The adoption of the ASU did not result in a restatement of the 2019 financial information, as there was no change to the timing of revenue recognition for existing agreements.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Food Bank's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have an effect on the Food Bank's financial statements as a result of the Food Bank's operating leases, as disclosed in Note 9, that will be reported on the statement of financial position at adoption. Upon adoption, the Food Bank will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

On March 9, 2020, the governor of Illinois declared all counties in the state of Illinois a disaster area and issued a stay-at-home executive order effective March 21, 2020. In addition, travel restrictions were put in place across the United States. The Food Bank has responded to the outbreak by transitioning some staff to work at home during the stay-at-home order. Other than this, the Food Bank has remained open and operational.

No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Food Bank's activities, functional expenses, cash flows, and financial condition could be negatively or positively impacted, the extent of the impact cannot be reasonably estimated at this time. However, the Food Bank is seeing increases in need among individuals who were coping with poverty before COVID-19, as well as increases among individuals who are unemployed, furloughed, or displaced as a result of the outbreak and the Food Bank has been able to meet the increased demand operationally and financially due to an increase in contributions and contributed food.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 29, 2020, which is the date the financial statements were available to be issued.

Note 3 - Contributions Receivable

Contributions receivable due within one year totaled \$274,574 and \$407,951 as of June 30, 2020, and 2019, respectively. Contributions receivable are restricted for the purchase of food, property and equipment, and time.

Note 4 - 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, 2020 and 2019 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.

In instances where 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.

	<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2020</u>			
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Balance at June 30, 2020</u>
Assets				
Investments:				
Stocks	\$ 3,747,993	\$ -	\$ -	\$ 3,747,993
Exchange-traded and closed-end funds	1,230,575	-	-	1,230,575
Municipal bonds	-	1,582,223	-	1,582,223
Corporate fixed income	-	197,393	-	197,393
Certificates of deposit funds	-	2,517,082	-	2,517,082
Mutual funds	1,926,907	-	-	1,926,907
Total investments	<u>\$ 6,905,475</u>	<u>\$ 4,296,698</u>	<u>\$ -</u>	<u>\$ 11,202,173</u>

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in			Balance at June 30, 2019
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets				
Investments:				
Stocks	\$ 3,206,183	\$ -	\$ -	\$ 3,206,183
Exchange-traded and closed-end funds	1,191,402	-	-	1,191,402
Municipal bonds	-	840,970	-	840,970
Corporate fixed income	-	320,956	-	320,956
Government securities	-	415,494	-	415,494
Certificates of deposit funds	-	3,063,378	-	3,063,378
Mutual funds	1,949,013	-	-	1,949,013
Total investments	<u>\$ 6,346,598</u>	<u>\$ 4,640,798</u>	<u>\$ -</u>	<u>\$ 10,987,396</u>

Not included in the above tables is \$943,734 and \$263,617 of cash held in the investment account at June 30, 2020 and 2019, respectively.

The fair values of municipal bonds, corporate fixed-income securities, government securities, and certificates of deposit at June 30, 2020 and 2019 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.

Note 5 - Inventory

Inventory at June 30, 2020 and 2019 consists of the following:

	2020		2019	
	Dollars	Pounds	Dollars	Pounds
Donated	\$ 10,025,151	5,807,229	\$ 3,350,082	2,067,952
Purchased	786,462	1,111,596	578,556	1,057,814
United States Department of Agriculture (Emergency Food Program)	1,357,555	1,077,884	1,964,730	1,471,443
TANF	70,313	125,461	-	-
Total	<u>\$ 12,239,481</u>	<u>8,122,170</u>	<u>\$ 5,893,368</u>	<u>4,597,209</u>

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2020	2019	Depreciable Life - Years
Geneva building	\$ 16,485,466	\$ 16,349,416	39
Geneva land	2,338,673	2,338,673	-
Building and improvements	1,652,852	1,623,112	5-39
Furniture and equipment	2,423,358	2,204,033	5-10
Computers and software	605,886	487,509	3
Vehicles	3,522,677	3,454,411	5
Total cost	27,028,912	26,457,154	
Accumulated depreciation	9,248,339	8,505,429	
Net property and equipment	<u>\$ 17,780,573</u>	<u>\$ 17,951,725</u>	

Depreciation expense for 2020 and 2019 was \$1,107,520 and \$1,155,221, respectively.

Note 7 - 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. The bonds have a maturity date of May 1, 2037 and are secured by the real estate located in the City.

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, 2020 are as follows:

Years Ending	Amount
2021	\$ 398,542
2022	398,542
2023	398,542
2024	398,542
2025	398,542
Thereafter	4,316,054
Less net bond issuance costs	<u>(112,370)</u>
Total	<u>\$ 6,196,394</u>

Total interest expense incurred and paid was \$165,686 and \$175,207 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019 was \$7,416.

Note 8 - Debt

Line of Credit

The Food Bank entered into a line of credit with West Suburban Bank on May 27, 2020. Per the agreement, the Food Bank has maximum available borrowings of \$2,000,000, with interest payable monthly at a rate of 3.25 percent. The line of credit matures on May 27, 2022. As of June 30, 2020, the Food Bank had not drawn on the line.

Paycheck Protection Program Loan

The Food Bank received a Paycheck Protection Program (PPP) term note through its primary financial institution of \$1,222,230. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act's PPP. The note structure required food bank officials to certify certain statements that permitted the Food Bank to qualify for the loan and provides loan forgiveness for a portion or all of the borrowed amount if the Food Bank uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will be required to be paid back by the Food Bank in full in April 2022 under 18 equal monthly principal payments beginning in February 2021, with interest at 1.00 percent. The Food Bank has the right to prepay any amount outstanding at any time without penalty. This loan will continue to help the Food Bank fund payroll and benefits. The Food Bank intends to apply for forgiveness by December 2020.

The balance of the PPP loan matures as follows

Years Ending	Amount
2021	\$ 543,213
2022	679,017
Total	<u>\$ 1,222,230</u>

Note 9 - 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 \$264,169 and \$224,291 for 2020 and 2019, respectively.

The Food Bank also leases vehicles and equipment on a month-to-month or long-term basis. Expense under these leases was \$170,583 and \$119,126 for 2020 and 2019, 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 on August 31, 2022. The lease term for the Rockford location ends on December 31, 2024. The lease term for the Joliet location ends on December 31, 2027.

Years Ending June 30	Amount
2021	\$ 193,667
2022	203,912
2023	174,203
2024	164,504
2025	128,804
Thereafter	188,660
Total	<u>\$ 1,053,750</u>

Note 10 - Net Assets

Net assets as of June 30, 2020 and 2019 are with donor restrictions for the following purposes:

	2020	2019
Purpose restricted - Primarily programs	\$ 2,655,383	\$ 1,367,531
Purpose restricted - Use on building		
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	7,875	7,875
Total purpose restricted - Use on building	1,127,461	1,127,461
Time and purpose restricted - Primarily programs	222,074	366,150
Total net assets with donor restrictions	\$ 4,004,918	\$ 2,861,142

The use restriction on building relates to forgivable mortgage notes totaling approximately \$1,127,000 as of June 30, 2020 and 2019. These mortgage notes, the remaining balance of which is recorded as net assets with donor restrictions, will be forgiven as indicated in the table above when each agreement ends, as long as the Food Bank complies with the requirements of these notes; management fully expects that it will. Net assets released from donor restrictions totaled \$3,952,602 and \$3,342,221 as of June 30, 2020 and 2019, respectively.

Note 11 - Retirement Plan

The Food Bank sponsors a 401(k) plan for all eligible employees. The plan provides for the Food Bank to make matching contributions. Contributions to the plan totaled \$169,803 and \$127,972 for the years ended June 30, 2020 and 2019, respectively.

The Food Bank matches 100 percent of the first 2 percent contributed by an employee and also matches 50 percent of the next 5 percent of an employee's contribution, with a maximum matching contribution of 4.5 percent.

Note 12 - Related Party Transactions

The Food Bank paid \$286,381 and \$273,936 during the years ended June 30, 2020 and 2019, respectively, for food provided by a firm for whom a board member is a senior manager.

Note 13 - Liquidity and Availability of Resources

The following reflects the Food Bank's financial assets as of June 30, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available also include board-designated endowment funds that could be drawn upon with approval from the governing board.

Notes to Financial Statements

June 30, 2020 and 2019

Note 13 - Liquidity and Availability of Resources (Continued)

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 14,627,560	\$ 3,929,010
Investments	12,145,907	11,251,013
Certificates of deposit	1,013,333	-
Other receivables - Net	<u>1,138,094</u>	<u>1,705,573</u>
Financial assets - At year end	28,924,894	16,885,596
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions - Restricted by donor with purpose restrictions	2,672,383	1,618,433
Board designations - Board-designated endowment funds	<u>1,299,067</u>	<u>1,121,458</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 24,953,444</u>	<u>\$ 14,145,705</u>

As part of the Food Bank's liquidity management, policy is to structure financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Food Bank invests cash in excess of daily requirements in an investment account. The Food Bank has a goal to maintain financial assets, which consist of cash, investments, and receivables, on hand to meet, at a minimum, 90 days of normal operating expenses, which are, on average, approximately \$6,300,000 as of June 30, 2020.

The Food Bank also realizes there could be unanticipated liquidity needs and plans accordingly. To help manage unanticipated liquidity needs, the Food Bank has a line of credit in the amount of \$2,000,000 that it could draw upon.