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# Northern Illinois Food Bank

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**Financial Report**  
**June 30, 2021**

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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, 2021 and 2020 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, 2021 and 2020 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.

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 November 1, 2021 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*

November 1, 2021

**Statement of Financial Position**

**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 20,472,729	\$ 14,627,560
Certificates of deposit	1,018,353	1,013,333
Investments (Note 4)	17,582,756	12,145,907
Receivables:		
Grants receivable	2,503,620	663,386
Accounts receivable	172,706	200,134
Contributions receivable - Net (Note 3)	543,077	274,574
Inventory (Note 5)	8,739,350	12,239,481
Prepaid expenses and other assets:		
Prepaid expenses	59,917	36,460
Deposits and coupons	5,000	5,000
Property and equipment - Net (Note 6)	19,080,554	17,780,573
	<u><b>\$ 70,178,062</b></u>	<u><b>\$ 58,986,408</b></u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 642,624	\$ 2,147,751
Accrued liabilities and other:		
Due to agencies	380,930	437,045
Accrued wages	1,292,519	1,219,470
Other accrued expenses	419,261	173,295
Bonds payable - Net (Note 7)	5,805,269	6,196,394
Paycheck Protection Program loan (Note 8)	-	1,222,230
	<u>8,540,603</u>	<u>11,396,185</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Without donor restrictions	53,451,715	42,286,238
Board designated	3,451,867	1,299,067
	<u>56,903,582</u>	<u>43,585,305</u>
Total without donor restrictions		
With donor restrictions	4,733,877	4,004,918
	<u>61,637,459</u>	<u>47,590,223</u>
Total net assets		
	<u><b>\$ 70,178,062</b></u>	<u><b>\$ 58,986,408</b></u>
Total liabilities and net assets		

## Northern Illinois Food Bank

# Statement of Activities and Changes in Net Assets

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Program service fees	\$ 5,092,437	\$ -	\$ 5,092,437	\$ 3,996,267	\$ -	\$ 3,996,267
Contributions and grants	26,897,598	5,350,003	32,247,601	20,321,263	5,096,378	25,417,641
Fees and grants from government agencies	13,088,647	-	13,088,647	4,816,879	-	4,816,879
Miscellaneous income	368,806	-	368,806	58,818	-	58,818
Donated goods and services	168,745,980	-	168,745,980	148,369,352	-	148,369,352
Gain on forgiveness of Paycheck Protection Program loan	1,222,230	-	1,222,230	-	-	-
Investment income - Net	2,656,680	-	2,656,680	597,901	-	597,901
Net assets released from restrictions	4,621,044	(4,621,044)	-	3,952,602	(3,952,602)	-
<b>Total revenue and support</b>	<b>222,693,422</b>	<b>728,959</b>	<b>223,422,381</b>	<b>182,113,082</b>	<b>1,143,776</b>	<b>183,256,858</b>
<b>Expenses</b>						
Program services:						
Food Bank operations	30,570,486	-	30,570,486	19,691,388	-	19,691,388
Contributed food distributed	172,979,187	-	172,979,187	142,153,370	-	142,153,370
<b>Total program services</b>	<b>203,549,673</b>	<b>-</b>	<b>203,549,673</b>	<b>161,844,758</b>	<b>-</b>	<b>161,844,758</b>
Support services:						
Management and general	2,413,372	-	2,413,372	2,430,141	-	2,430,141
Fundraising	3,412,100	-	3,412,100	3,112,698	-	3,112,698
<b>Total expenses</b>	<b>209,375,145</b>	<b>-</b>	<b>209,375,145</b>	<b>167,387,597</b>	<b>-</b>	<b>167,387,597</b>
<b>Increase in Net Assets</b>	<b>13,318,277</b>	<b>728,959</b>	<b>14,047,236</b>	<b>14,725,485</b>	<b>1,143,776</b>	<b>15,869,261</b>
<b>Net Assets - Beginning of year</b>	<b>43,585,305</b>	<b>4,004,918</b>	<b>47,590,223</b>	<b>28,859,820</b>	<b>2,861,142</b>	<b>31,720,962</b>
<b>Net Assets - End of year</b>	<b>\$ 56,903,582</b>	<b>\$ 4,733,877</b>	<b>\$ 61,637,459</b>	<b>\$ 43,585,305</b>	<b>\$ 4,004,918</b>	<b>\$ 47,590,223</b>

Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services		Support Services		Total
	Food Bank Operations	Management and General	Fundraising		
Staff salaries	\$ 6,340,070	\$ 1,708,993	\$ 1,205,343	\$ 9,254,406	
Payroll taxes	464,508	83,011	92,886	640,405	
Health insurance	823,795	110,772	132,571	1,067,138	
Retirement plan	109,630	35,954	39,026	184,610	
<b>Total salaries and related expenses</b>	<b>7,738,003</b>	<b>1,938,730</b>	<b>1,469,826</b>	<b>11,146,559</b>	
Contributed food distributed	172,979,187	-	-	172,979,187	
Purchased food distributed	15,168,964	-	-	15,168,964	
Transportation	1,053,984	-	-	1,053,984	
Operating supplies	678,772	-	-	678,772	
Occupancy and utilities	405,985	20,171	20,522	446,678	
Mortgage interest	141,320	14,249	7,144	162,713	
Facility rental	468,661	-	-	468,661	
Insurance	287,824	10,364	3,329	301,517	
Equipment purchase, maintenance, and rental	315,670	347	-	316,017	
Building maintenance	253,884	16,168	12,826	282,878	
Office and technology supplies	190,716	47,933	23,627	262,276	
Agency grants	1,213,968	-	-	1,213,968	
Local travel	48,423	2,064	7,697	58,184	
Telecommunications	67,318	37,941	1,953	107,212	
Feeding America and Feeding Illinois fees	-	15,160	-	15,160	
Direct mail, promotional, and advertising	479,245	1,293	1,033,317	1,513,855	
Conferences and meetings	5,061	1,115	2,896	9,072	
Postage and shipping	1,698	13,821	85,377	100,896	
Staffing development	40,694	15,315	8,982	64,991	
Dues and subscriptions	146,707	19,444	99,961	266,112	
Special events	-	-	85,712	85,712	
Professional and consulting fees	445,382	209,273	175,432	830,087	
Printing and publications	32,248	2,733	52,192	87,173	
Donated goods and services	59,109	500	87,280	146,889	
Miscellaneous	53,752	15,960	202,151	271,863	
Depreciation	1,273,098	30,791	31,876	1,335,765	
<b>Total functional expenses</b>	<b>\$ 203,549,673</b>	<b>\$ 2,413,372</b>	<b>\$ 3,412,100</b>	<b>\$ 209,375,145</b>	

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	
<b>Total salaries and related expenses</b>	<b>6,292,431</b>	<b>1,835,398</b>	<b>1,245,424</b>	<b>9,373,253</b>	
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	
<b>Total functional expenses</b>	<b>\$ 161,844,758</b>	<b>\$ 2,430,141</b>	<b>\$ 3,112,698</b>	<b>\$ 167,387,597</b>	



**Statement of Cash Flows**

**Years Ended June 30, 2021 and 2020**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Cash and cash equivalents received from contributions and grants	\$ 29,553,939	\$ 25,365,147
Cash and cash equivalents received from program services	18,166,520	9,704,991
Cash paid to suppliers and employees	<u>(36,995,422)</u>	<u>(23,043,801)</u>
Net cash and cash equivalents provided by operating activities	10,725,037	12,026,337
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(2,648,121)	(814,696)
Proceeds from sale of property and equipment	17,900	39,343
Purchase of investments	(5,694,379)	(4,544,608)
Proceeds from sale of investments	3,848,293	4,181,819
Purchase of certificates of deposit	<u>(5,020)</u>	<u>(1,013,333)</u>
Net cash and cash equivalents used in investing activities	(4,481,327)	(2,151,475)
<b>Cash Flows from Financing Activities</b>		
Principal payments on tax-exempt revenue bonds	(398,541)	(398,542)
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>1,222,230</u>
Net cash and cash equivalents (used in) provided by financing activities	<u>(398,541)</u>	<u>823,688</u>
<b>Net Increase in Cash and Cash Equivalents</b>	5,845,169	10,698,550
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>14,627,560</u>	<u>3,929,010</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 20,472,729</b></u>	<u><b>\$ 14,627,560</b></u>
<b>Reconciliation of Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities</b>		
Increase in net assets	\$ 14,047,236	\$ 15,869,261
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,343,181	1,114,936
Gain on sale of property and equipment	(5,525)	(39,343)
Forgiveness of Paycheck Protection Program loan	(1,222,230)	-
Net change in realized and unrealized gain on investments	(2,387,833)	(346,234)
Increase in provision for uncollectible accounts	12,621	-
Noncash donated goods and services	(168,745,980)	(148,369,352)
Noncash donated goods and services expense	173,126,077	142,301,458
Noncash donated stock	(1,202,930)	(185,871)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	27,428	(92,953)
Grants receivable	(1,840,234)	527,055
Contributions receivable	(281,124)	133,377
Purchased inventory	(879,966)	(278,219)
Prepaid expenses	(23,457)	27,966
Accounts payable	(1,505,127)	925,444
Accrued expenses	319,015	252,211
Due to agencies	<u>(56,115)</u>	<u>186,601</u>
Net cash and cash equivalents provided by operating activities	<u><b>\$ 10,725,037</b></u>	<u><b>\$ 12,026,337</b></u>

**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, 2021, the Food Bank provided more than 100 million meals to its neighbors across 13 counties through a network of more than 900 food pantries, soup kitchens, shelters, and youth and senior feeding programs. The Food Bank's major sources of revenue are 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, where 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 with accrued expenses 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 \$5,000 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 \$146,889 and \$148,088 in fiscal years 2021 and 2020, respectively. The Food Bank has also recorded \$168,599,091 and \$148,221,264 of donated food in fiscal years 2021 and 2020, 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 - Time and effort
- Occupancy and utilities - Square footage
- Mortgage interest - Square footage
- Insurance - Square footage
- Building maintenance - Square footage
- Local travel - Time and effort
- Telecommunications - Time and effort
- Conferences and meetings - Time and effort
- 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

***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.

**Note 2 - Significant Accounting Policies (Continued)**

***Impact of 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 millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. At this stage, the Food Bank has seen an increased need among people of the communities served. This has resulted in the Food Bank receiving additional federal funding as well as additional contributed food distributed. The Food Bank will continue to follow the various government policies and advice, and, in parallel, the Food Bank will do its utmost to continue its operations in the best and safest way possible.

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 significantly impacted, the extent of the impact cannot be reasonably estimated at this time.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 1, 2021, which is the date the financial statements were available to be issued.

**Note 3 - Contributions Receivable**

Contributions receivable due within one to five years totaled \$543,077 and \$274,574 as of June 30, 2021 and 2020, respectively. Allowance for uncollectible pledges totaled \$10,000 and \$0 as of June 30, 2021 and 2020, respectively. Discount at a rate of three percent totaled \$2,621 and \$0 as of June 30, 2021 and 2020, 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, 2021 and 2020 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.

June 30, 2021 and 2020

## Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	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, 2021
<b>Assets</b>				
Investments:				
Stocks	\$ 5,859,936	\$ -	\$ -	\$ 5,859,936
Exchange-traded and closed-end funds	2,022,424	-	-	2,022,424
Municipal bonds	-	1,613,444	-	1,613,444
Corporate fixed income	-	112,494	-	112,494
Government securities	-	723,933	-	723,933
Certificates of deposit funds	-	1,610,618	-	1,610,618
Mutual funds	3,615,347	-	-	3,615,347
Total investments	\$ 11,497,707	\$ 4,060,489	\$ -	\$ 15,558,196
	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	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, 2020
<b>Assets</b>				
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	\$ 6,905,475	\$ 4,296,698	\$ -	\$ 11,202,173

Not included in the above tables is \$2,024,560 and \$943,734 of cash held in the investment account at June 30, 2021 and 2020, respectively.

The fair values of municipal bonds, corporate fixed-income securities, government securities, and certificates of deposit at June 30, 2021 and 2020 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, 2021 and 2020 consists of the following:

	2021		2020	
	Dollars	Pounds	Dollars	Pounds
Donated	\$ 5,202,557	2,571,449	\$ 10,025,151	5,807,229
Purchased	1,449,645	2,295,708	786,462	1,111,596
United States Department of Agriculture (Emergency Food Program)	1,800,053	1,401,781	1,357,555	1,077,884
Temporary Assistance for Needy Families	115,129	112,657	70,313	125,461
Emergency Food and Shelter Program	171,966	246,118	-	-
<b>Total</b>	<b>\$ 8,739,350</b>	<b>6,627,713</b>	<b>\$ 12,239,481</b>	<b>8,122,170</b>

**Note 6 - Property and Equipment**

Property and equipment are summarized as follows:

	2021	2020	Depreciable Life - Years
Geneva building	\$ 17,114,759	\$ 16,485,466	39
Geneva land	2,338,673	2,338,673	-
Building and improvements	1,685,366	1,652,852	5-39
Furniture and equipment	2,556,188	2,423,358	5-10
Computers and software	893,727	605,886	3
Vehicles	4,798,174	3,522,677	5
<b>Total cost</b>	<b>29,386,887</b>	<b>27,028,912</b>	
<b>Accumulated depreciation</b>	<b>10,306,333</b>	<b>9,248,339</b>	
<b>Net property and equipment</b>	<b>\$ 19,080,554</b>	<b>\$ 17,780,573</b>	

Depreciation expense for 2021 and 2020 was \$1,335,765 and \$1,107,520, 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.



June 30, 2021 and 2020

**Note 7 - Bonds Payable (Continued)**

Minimum principal payments on the bonds payable to maturity as of June 30, 2021 are as follows:

Years Ending	Amount
2022	\$ 398,542
2023	398,542
2024	398,542
2025	398,542
2026	398,542
Thereafter	3,917,513
Less net bond issuance costs	<u>(104,954)</u>
Total	<u>\$ 5,805,269</u>

Total interest expense incurred and paid was \$155,297 and \$165,686 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 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, 2021 and 2020, the Food Bank had not drawn on the line.

***Paycheck Protection Program Loan***

During the year ended June 30, 2020, the Food Bank received a Paycheck Protection Program (PPP) loan in the amount of \$1,222,230. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

Prior to June 30, 2021, the Food Bank applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$1,222,230 has been recorded as a gain from PPP debt forgiveness in revenue and support on the statement of activities and changes in net assets.

**Note 9 - Operating Leases**

The Food Bank leases its branch location facilities, which expire at various dates, with options to renew. 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. Facility rental expense under these leases was \$232,196 and \$225,576 for 2021 and 2020, respectively.

The Food Bank also leases vehicles and equipment on a month-to-month or long-term basis. Expense under these leases was \$309,125 and \$170,583 for 2021 and 2020, respectively.

The future minimum lease payments due under the terms of the operating leases are listed below.

Years Ending June 30	Amount
2022	\$ 229,350
2023	201,956
2024	192,256
2025	156,556
2026	113,657
Thereafter	105,069
Total	<u>\$ 998,844</u>

**Note 10 - Net Assets**

Net assets as of June 30, 2021 and 2020 are with donor restrictions for the following purposes:

	2021	2020
Purpose restricted - Primarily programs	\$ 3,169,660	\$ 2,655,383
Purpose restricted - Use on building:		
Expiring in 2020	-	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	1,077,461	1,127,461
Time and purpose restricted - Pledges receivable, primarily for programs	486,756	222,074
Total net assets with donor restrictions	<u>\$ 4,733,877</u>	<u>\$ 4,004,918</u>

The use restriction on building relates to forgivable mortgage notes totaling approximately \$1,077,000 and \$1,127,000 as of June 30, 2021 and 2020, respectively. 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 \$4,621,044 and \$3,952,602 as of June 30, 2021 and 2020, 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 \$184,610 and \$169,803 for the years ended June 30, 2021 and 2020, respectively.

**Note 11 - Retirement Plan (Continued)**

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 \$439,546 and \$286,381 during the years ended June 30, 2021 and 2020, respectively, for food provided by a firm for which a board member is part of management. The Food Bank also paid \$25,000 and \$0 during the years ended June 30, 2021 and 2020, respectively, for consulting services from a firm for which a board member is a partner.

**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.

	2021	2020
Cash and cash equivalents	\$ 20,472,729	\$ 14,627,560
Investments	17,582,756	12,145,907
Certificates of deposit	1,018,353	1,013,333
Grants receivable	2,503,620	663,386
Accounts receivable	172,706	200,134
Contributions receivable - Net	543,077	274,574
Financial assets - At year end	42,293,241	28,924,894
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions - Restricted by donor with purpose restrictions	3,456,414	2,672,383
Board designations - Board-designated endowment funds	3,451,867	1,299,067
Financial assets available to meet cash needs for general expenditures within one year	\$ 35,384,960	\$ 24,953,444

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 \$6,500,000 as of June 30, 2021.

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.