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# Northern Illinois Food Bank

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**Financial Report**  
**June 30, 2023**

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## **Independent Auditor's Report**

To the Board of Directors  
Northern Illinois Food Bank

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the Northern Illinois Food Bank (the "Food Bank"), which comprise the statement of financial position as of June 30, 2023 and 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Food Bank as of June 30, 2023 and 2022 and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Food Bank and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

#### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Northern Illinois Food Bank

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Food Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Food Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the 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 solely 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 effectiveness of the Food Bank's 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 the Food Bank's internal control over financial reporting and compliance.



November 30, 2023

**Statement of Financial Position**

**June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,505,012	\$ 7,483,839
Investments (Note 5)	28,533,338	29,459,345
Receivables:		
Grants receivable	2,438,777	2,620,351
Accounts receivable	282,329	328,740
Contributions receivable - Net (Note 4)	2,240,852	3,334,659
Inventory (Note 6)	7,014,534	6,879,233
Right-of-use lease assets (Note 3)	1,953,007	-
Prepaid expenses and other assets:		
Prepaid expenses	146,722	104,593
Deposits and coupons	83,882	83,882
Property and equipment - Net (Note 7)	19,925,475	20,353,559
	<u><b>\$ 72,123,928</b></u>	<u><b>\$ 70,648,201</b></u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,729,113	\$ 1,308,160
Lease liabilities (Note 3)	2,131,972	-
Accrued liabilities and other:		
Due to agencies	423,747	308,844
Accrued wages	1,098,766	1,356,405
Other accrued expenses	107,961	191,966
Bonds payable - Net (Note 8)	5,027,821	5,414,143
	<u>10,519,380</u>	<u>8,579,518</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions:		
Without donor restrictions	51,505,443	50,624,466
Board designated	5,619,655	4,106,941
	<u>57,125,098</u>	<u>54,731,407</u>
Total without donor restrictions		
With donor restrictions (Note 11)	4,479,450	7,337,276
	<u>61,604,548</u>	<u>62,068,683</u>
Total net assets		
	<u><b>\$ 72,123,928</b></u>	<u><b>\$ 70,648,201</b></u>
Total liabilities and net assets		

## Northern Illinois Food Bank

# Statement of Activities and Changes in Net Assets

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Program service fees	\$ 7,386,815	\$ -	\$ 7,386,815	\$ 5,291,365	\$ -	\$ 5,291,365
Contributions and grants	23,025,468	2,269,646	25,295,114	22,297,808	8,823,223	31,121,031
Fees and grants from government agencies	7,483,079	-	7,483,079	8,738,314	-	8,738,314
Miscellaneous income (loss)	338	-	338	(166,898)	-	(166,898)
Contributed food and nonfinancial assets	129,102,026	-	129,102,026	123,308,286	-	123,308,286
Investment income (loss) - Net	2,362,899	-	2,362,899	(3,189,914)	-	(3,189,914)
Net assets released from restrictions	5,127,472	(5,127,472)	-	6,219,824	(6,219,824)	-
<b>Total revenue and support</b>	<b>174,488,097</b>	<b>(2,857,826)</b>	<b>171,630,271</b>	<b>162,498,785</b>	<b>2,603,399</b>	<b>165,102,184</b>
<b>Expenses</b>						
Program services:						
Food Bank operations	38,107,504	-	38,107,504	33,605,820	-	33,605,820
Contributed food distributed	128,057,088	-	128,057,088	124,921,126	-	124,921,126
<b>Total program services</b>	<b>166,164,592</b>	<b>-</b>	<b>166,164,592</b>	<b>158,526,946</b>	<b>-</b>	<b>158,526,946</b>
Support services:						
Management and general	2,533,483	-	2,533,483	2,866,176	-	2,866,176
Fundraising	3,396,331	-	3,396,331	3,277,838	-	3,277,838
<b>Total expenses</b>	<b>172,094,406</b>	<b>-</b>	<b>172,094,406</b>	<b>164,670,960</b>	<b>-</b>	<b>164,670,960</b>
<b>Increase (Decrease) in Net Assets</b>	<b>2,393,691</b>	<b>(2,857,826)</b>	<b>(464,135)</b>	<b>(2,172,175)</b>	<b>2,603,399</b>	<b>431,224</b>
<b>Net Assets - Beginning of year</b>	<b>54,731,407</b>	<b>7,337,276</b>	<b>62,068,683</b>	<b>56,903,582</b>	<b>4,733,877</b>	<b>61,637,459</b>
<b>Net Assets - End of year</b>	<b>\$ 57,125,098</b>	<b>\$ 4,479,450</b>	<b>\$ 61,604,548</b>	<b>\$ 54,731,407</b>	<b>\$ 7,337,276</b>	<b>\$ 62,068,683</b>

**Statement of Functional Expenses**

**Year Ended June 30, 2023**

	Program Services		Support Services		Total
	Food Bank Operations	Management and General	Fundraising		
Staff salaries	\$ 7,040,040	\$ 1,869,464	\$ 1,212,680	\$ 10,122,184	
Payroll taxes	540,120	(293,493)	96,883	343,510	
Health insurance	1,102,152	124,467	190,627	1,417,246	
Retirement plan	163,981	31,747	50,709	246,437	
<b>Total salaries and related expenses</b>	<b>8,846,293</b>	<b>1,732,185</b>	<b>1,550,899</b>	<b>12,129,377</b>	
Contributed food distributed	128,057,088	-	-	128,057,088	
Purchased food distributed	21,015,267	-	-	21,015,267	
Transportation	1,040,362	-	-	1,040,362	
Operating supplies	805,038	-	-	805,038	
Occupancy and utilities	431,226	200	-	431,426	
Mortgage interest	-	163,534	-	163,534	
Facility rental	389,655	-	-	389,655	
Insurance	299,074	85,853	2,517	387,444	
Equipment purchase, maintenance, and rental	207,195	401	-	207,596	
Building maintenance	367,745	-	-	367,745	
Office and technology supplies	241,754	10,360	2,312	254,426	
Agency grants	805,978	-	-	805,978	
Local travel	91,419	2,932	9,634	103,985	
Telecommunications	122,402	1,921	3,017	127,340	
Feeding America and Feeding Illinois fees	38,925	36,167	-	75,092	
Direct mail, promotional, and advertising	537,709	1,707	1,071,608	1,611,024	
Conferences and meetings	62,205	35,164	6,516	103,885	
Postage and shipping	920	10,419	23,026	34,365	
Staffing development	28,543	49,597	10,171	88,311	
Dues and subscriptions	293,652	27,268	109,107	430,027	
Special events	-	-	165,460	165,460	
Professional and consulting fees	866,136	344,725	146,471	1,357,332	
Printing and publications	30,143	2,316	43,319	75,778	
Donated goods and services	114,081	337	71,248	185,666	
Miscellaneous	(207,304)	20,981	181,026	(5,297)	
Depreciation and amortization	1,679,086	7,416	-	1,686,502	
<b>Total functional expenses</b>	<b>\$ 166,164,592</b>	<b>\$ 2,533,483</b>	<b>\$ 3,396,331</b>	<b>\$ 172,094,406</b>	

**Statement of Functional Expenses**

**Year Ended June 30, 2022**

	Program Services		Support Services		Total
	Food Bank Operations	Management and General	Fundraising		
Staff salaries	\$ 6,068,846	\$ 1,790,692	\$ 1,305,029	\$ 9,164,567	
Payroll taxes	481,376	100,559	108,637	690,572	
Health insurance	1,000,403	95,062	167,071	1,262,536	
Retirement plan	135,254	19,350	43,273	197,877	
<b>Total salaries and related expenses</b>	<b>7,685,879</b>	<b>2,005,663</b>	<b>1,624,010</b>	<b>11,315,552</b>	
Contributed food distributed	124,921,126	-	-	124,921,126	
Purchased food distributed	17,121,456	-	-	17,121,456	
Transportation	1,006,944	5,000	-	1,011,944	
Operating supplies	789,927	-	-	789,927	
Occupancy and utilities	437,949	440	-	438,389	
Mortgage interest	-	145,190	-	145,190	
Facility rental	384,785	-	-	384,785	
Insurance	288,228	32,073	1,353	321,654	
Equipment purchase, maintenance, and rental	144,313	356	-	144,669	
Building maintenance	305,385	-	-	305,385	
Office and technology supplies	265,900	7,373	345	273,618	
Agency grants	1,381,825	-	-	1,381,825	
Local travel	68,824	1,911	6,794	77,529	
Telecommunications	99,827	1,846	1,660	103,333	
Feeding America and Feeding Illinois fees	71,455	36,356	-	107,811	
Direct mail, promotional, and advertising	558,765	644	1,050,486	1,609,895	
Conferences and meetings	13,138	21,152	4,813	39,103	
Postage and shipping	1,125	11,539	55,698	68,362	
Staffing development	35,312	64,556	14,343	114,211	
Dues and subscriptions	201,989	15,458	78,639	296,086	
Special events	-	-	154,303	154,303	
Professional and consulting fees	930,855	250,392	88,049	1,269,296	
Printing and publications	14,403	2,727	45,329	62,459	
Donated goods and services	350,756	-	-	350,756	
Miscellaneous	19,954	263,500	152,016	435,470	
Depreciation and amortization	1,426,826	-	-	1,426,826	
<b>Total functional expenses</b>	<b>\$ 158,526,946</b>	<b>\$ 2,866,176</b>	<b>\$ 3,277,838</b>	<b>\$ 164,670,960</b>	



Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Cash and cash equivalents received from contributions and grants	\$ 23,994,655	\$ 27,966,341
Cash and cash equivalents received from program services	15,691,041	14,037,530
Cash paid to suppliers and employees	(41,227,416)	(37,689,746)
Net cash and cash equivalents (used in) provided by operating activities	(1,541,720)	4,314,125
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(1,257,312)	(2,975,304)
Proceeds from sale of property and equipment	3,787	74,450
Purchase of investments	(14,703,719)	(23,387,438)
Proceeds from sale of investments	19,913,875	8,365,466
Transfer of certificates of deposit	-	1,018,353
Net cash and cash equivalents provided by (used in) investing activities	3,956,631	(16,904,473)
<b>Cash Flows Used in Financing Activities</b> - Principal payments on tax-exempt revenue bonds	(393,738)	(398,542)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,021,173	(12,988,890)
<b>Cash and Cash Equivalents</b> - Beginning of year	7,483,839	20,472,729
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 9,505,012</b>	<b>\$ 7,483,839</b>
<b>Reconciliation of (Decrease) Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities</b>		
(Decrease) increase in net assets	\$ (464,135)	\$ 431,224
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,686,502	1,434,242
Amortization of right-of-use asset	297,427	-
Loss on sale of property and equipment	2,523	201,023
Net change in realized and unrealized (gain) loss on investments	(1,889,881)	3,508,492
(Decrease) increase in provision for uncollectible accounts	(33,214)	140,270
Noncash donated goods and services	(129,102,026)	(123,308,286)
Noncash donated goods and services expense	128,245,136	125,271,882
Noncash donated stock	(2,394,268)	(363,109)
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	46,411	(156,034)
Grants receivable	181,574	(116,731)
Contributions receivable	1,127,021	(2,931,852)
Purchased inventory	721,589	(103,479)
Prepaid expenses	(42,129)	(44,676)
Deposits and coupons	-	(78,882)
Accounts payable	420,953	665,536
Accrued expenses	(341,644)	(163,409)
Due to agencies	114,903	(72,086)
Lease liabilities	(118,462)	-
Net cash and cash equivalents (used in) provided by operating activities	<b>\$ (1,541,720)</b>	<b>\$ 4,314,125</b>

**Note 1 - Nature of Business**

The 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. The 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, 2023, the Food Bank provided more than 82 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, the balances of which at times exceed federally insured limits.

***Inventory***

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

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.

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

***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 Accounting Standards Update (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.

***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.

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

***Contributed Food and Nonfinancial Assets***

Contributed food and nonfinancial assets 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. Contributed food, as well as the related contributed food distributed expense, is estimated using the Food Bank's respective pounds of food at a weighted-average wholesale price per pound by product category, as determined by Feeding America. These amounts have been reported as both contributed food and nonfinancial assets revenue and contributed food distributed 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.

***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.

***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.

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

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

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including November 30, 2023, which is the date the financial statements were available to be issued.

**Note 3 - Adoption of New Accounting Pronouncement**

As of July 1, 2022, the Food Bank adopted Financial Accounting Standards Board ASU No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-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. The Food Bank elected to adopt the ASU using the modified retrospective method as of July 1, 2022 and applied the following practical expedients:

- The Food Bank did not reassess if expired or existing contracts are or contain a lease.
- The Food Bank did not reassess the lease classification for expired or existing leases.
- The Food Bank did not reassess initial direct costs for any existing leases.
- The Food Bank used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, the Food Bank recorded a right-of-use asset of \$2,241,706 and a lease liability of \$2,424,041, and decreased the deferred rent balance by \$182,335 as of July 1, 2022 for existing operating and finance leases. There was no impact on net assets as a result of adopting the new ASU.

**Note 4 - Contributions Receivable**

Contributions receivable due within one to five years totaled \$2,240,852 and \$3,334,659 as of June 30, 2023 and 2022, respectively. The allowance for uncollectible pledges totaled \$89,073 and \$121,107 as of June 30, 2023 and 2022, respectively. Discount at a rate of 3 percent totaled \$30,604 and \$31,784 as of June 30, 2023 and 2022, respectively. Contributions receivable are restricted for the purchase of food, property and equipment, and time.

**Note 5 - 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, 2023 and 2022 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.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at June 30, 2023
<b>Assets</b>					
Investments:					
Stocks	\$ 10,338,233	\$ -	\$ -	\$ -	\$ 10,338,233
Exchange-traded and closed-end funds	6,341,967	-	-	-	6,341,967
Municipal bonds	-	4,253,138	-	-	4,253,138
Corporate fixed income	-	581,881	-	-	581,881
Government securities	-	1,071,189	-	-	1,071,189
Certificates of deposit funds	-	236,416	-	-	236,416
Mutual funds	5,051,679	-	-	-	5,051,679
Alternative investments	-	-	-	128,033	128,033
Total investments	\$ 21,731,879	\$ 6,142,624	\$ -	\$ 128,033	\$ 28,002,536

**Note 5 - Fair Value Measurements (Continued)**

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022					
	Quoted Prices in			Net Asset Value	Balance at June 30, 2022
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
<b>Assets</b>					
Investments:					
Stocks	\$ 9,125,802	\$ -	\$ -	\$ -	\$ 9,125,802
Exchange-traded and closed-end funds	3,998,506	-	-	-	3,998,506
Municipal bonds	-	2,879,078	-	-	2,879,078
Corporate fixed income	-	629,663	-	-	629,663
Government securities	-	823,907	-	-	823,907
Certificates of deposit funds	-	773,073	-	-	773,073
Mutual funds	3,367,970	-	-	-	3,367,970
Total investments	<u>\$ 16,492,278</u>	<u>\$ 5,105,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,597,999</u>

Not included in the above tables is \$530,802 and \$7,861,346 of cash held in the investment account at June 30, 2023 and 2022, respectively.

The fair values of municipal bonds, corporate fixed-income securities, government securities, and certificates of deposit at June 30, 2023 and 2022 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.

**Investments in Entities that Calculate Net Asset Value per Share**

The Food Bank holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) of the investment company.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Investments Held at June 30, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Alternative Investments	\$ 128,033	\$ -	Quarterly	45 days

The Food Bank did not hold any shares or interests in investments valued based on net asset value per share as of June 30, 2022.

The alternative investments include investments in a state-regulated, non-publicly traded business development company that makes private loans to corporations. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

**Note 6 - Inventory**

Inventory at June 30, 2023 and 2022 consists of the following:

	2023		2022	
	Dollars	Pounds	Dollars	Pounds
Donated	\$ 4,608,506	2,387,827	\$ 3,150,639	1,639,250
Purchased	1,117,625	1,568,548	1,697,990	1,890,172
United States Department of Agriculture (Emergency Food Program)	1,288,403	1,103,498	1,889,380	1,279,797
Temporary Assistance for Needy Families	-	-	33,537	39,121
Emergency Food and Shelter Program	-	-	107,687	35,282
<b>Total</b>	<b>\$ 7,014,534</b>	<b>5,059,873</b>	<b>\$ 6,879,233</b>	<b>4,883,622</b>

**Note 7 - Property and Equipment**

Property and equipment are summarized as follows:

	2023	2022	Depreciable Life - Years
Geneva building	\$ 17,885,931	\$ 17,526,090	39
Geneva land	2,338,673	2,338,673	-
Building and improvements	2,118,716	1,058,473	5-39
Furniture and equipment	2,842,116	2,652,996	5-10
Computers and software	1,489,459	1,024,682	3
Vehicles	4,945,427	4,593,030	5
Construction in progress	418,645	1,760,375	-
<b>Total cost</b>	<b>32,038,967</b>	<b>30,954,319</b>	
<b>Accumulated depreciation</b>	<b>12,113,492</b>	<b>10,600,760</b>	
<b>Net property and equipment</b>	<b>\$ 19,925,475</b>	<b>\$ 20,353,559</b>	

Depreciation expense for 2023 and 2022 was \$1,679,086 and \$1,426,826, respectively.

**Note 8 - 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 5.26 percent through May 1, 2037, after which the rate will adjust on specified reset dates. Principal payments in the amount of \$30,831 are also payable monthly.



June 30, 2023 and 2022

**Note 8 - Bonds Payable (Continued)**

Minimum principal payments on the bonds payable to maturity as of June 30, 2023 are as follows:

Years Ending	Amount
2024	\$ 369,972
2025	369,972
2026	369,972
2027	369,972
2028	369,972
Thereafter	3,268,083
Less net bond issuance costs	<u>(90,122)</u>
Total	<u>\$ 5,027,821</u>

Total interest expense incurred and paid was \$163,534 and \$145,190 for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was \$7,416.

**Note 9 - Debt*****Line of Credit***

The Food Bank entered into a line of credit with Old Second Bank on May 27, 2020. This line of credit was renewed on May 27, 2022. Per the agreement, the Food Bank has maximum available borrowings of \$2,000,000, with interest payable monthly at a rate of 4.00 percent. The line of credit matures on May 27, 2024. As of June 30, 2023 and 2022, the Food Bank had not drawn on the line.

**Note 10 - Leases**

The Food Bank is obligated under operating leases primarily for warehouse and office space and equipment, expiring at various dates through March 2032. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 2.85 percent to 2.90 percent. The leases require the Food Bank to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$389,655 and \$384,785 for the years ended June 30, 2023 and 2022, respectively.

In 2010, the Food Bank entered into a lease for warehouse space at 440 Keller Drive in Park City, Illinois (the "Park City lease"), which expired on August 31, 2022.

In 2014, the Food Bank entered into a one-year lease for warehouse space at 765 Research Parkway in Rockford, Illinois (the "Northwest Suburban lease"), which has been amended once to extend the lease term through December 2024.

In 2017, the Food Bank entered into a lease agreement for warehouse space at 191 S. Larkin Avenue in Joliet, Illinois (the "South Suburban lease"). The term of the lease is from October 1, 2017 through December 31, 2027.

In 2022, the Food Bank entered into a lease agreement for warehouse space at 13950 West Business Center Drive in Green Oaks, Illinois (the "North Suburban lease"). The term of the lease is from February 1, 2022 through March 31, 2032.

June 30, 2023 and 2022

**Note 10 - Leases (Continued)**

The Food Bank leases vehicles and copiers under long-term lease arrangements that are classified as finance leases. Under the terms of the lease agreements, payments ranging from \$2,313 to \$2,900 are due monthly through July 2026. The right-of-use asset and related lease liability have been calculated using a 2.87 percent discount rate. Total rent expense under these leases was \$108,369 and \$64,288 for the years ended June 30, 2023 and 2022, respectively.

Expenses recognized under these leases for the years ended June 30, 2023 and 2022 consist of the following:

Lease cost:			
Finance lease cost:			
Amortization of right-of-use assets		\$	56,908
Interest on lease liabilities			5,633
Operating lease cost			389,655
Variable lease cost			-
Total lease cost		\$	<u>452,196</u>
Other information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from finance leases		\$	108,369
Operating cash flows from operating leases			302,352
Weighted-average remaining lease term (years) - Finance leases			3.5
Weighted-average remaining lease term (years) - Operating leases			5.3
Weighted-average discount rate - Finance leases			2.9 %
Weighted-average discount rate - Operating leases			2.9 %

The future minimum lease payments under operating and finance leases are as follows:

Years Ending June 30	Operating Leases	Finance Leases	Total Payments
2024	\$ 312,676	\$ 62,540	\$ 375,216
2025	287,566	62,540	350,106
2026	262,620	45,140	307,760
2027	268,444	2,312	270,756
2028	240,324	-	240,324
Thereafter	<u>835,550</u>	<u>-</u>	<u>835,550</u>
Total	2,207,180	172,532	2,379,712
Less amount representing interest	<u>240,838</u>	<u>6,902</u>	<u>247,740</u>
Long-term obligations under leases	<u>\$ 1,966,342</u>	<u>\$ 165,630</u>	<u>\$ 2,131,972</u>

**Note 11 - Net Assets**

Net assets as of June 30, 2023 and 2022 are with donor restrictions for the following purposes:

	2023	2022
Purpose restricted - Primarily programs	\$ 1,287,231	\$ 3,045,405
Purpose restricted - Use on building:		
Expiring in 2028	329,120	329,120
Expiring in 2030	250,000	250,000
Expiring in 2031	425,000	425,000
Expiring in 2032	7,876	7,875
Total purpose restricted - Use on building	1,011,996	1,011,995
Time and purpose restricted - Pledges receivable, primarily for programs	2,180,223	3,279,876
Total net assets with donor restrictions	<u>\$ 4,479,450</u>	<u>\$ 7,337,276</u>

The use restriction on building relates to forgivable mortgage notes totaling approximately \$1,012,000 as of June 30, 2023 and 2022. 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 \$5,127,472 and \$6,219,824 as of June 30, 2023 and 2022, respectively.

**Note 12 - Board-designated Endowment**

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 5,619,655	\$ -	\$ 5,619,655

Changes in Endowment Net Assets for the Fiscal  
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 4,106,941	\$ -	\$ 4,106,941
Investment return:			
Investment income	75,198	-	75,198
Realized losses	(161,112)	-	(161,112)
Unrealized gains	492,560	-	492,560
Total investment return	406,646	-	406,646
Other changes - Transfers to create board-designated endowment funds	1,106,068	-	1,106,068
Endowment net assets - End of year	<u>\$ 5,619,655</u>	<u>\$ -</u>	<u>\$ 5,619,655</u>

Endowment Net Asset Composition by Type of Fund  
as of June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,106,941	\$ -	\$ 4,106,941

June 30, 2023 and 2022

**Note 12 - Board-designated Endowment (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 3,051,867	\$ -	\$ 3,051,867
Investment return:			
Investment income	96,823	-	96,823
Realized gains	36,038	-	36,038
Unrealized losses	(829,920)	-	(829,920)
Total investment return	(697,059)	-	(697,059)
Contributions	1,736,818	-	1,736,818
Other changes - Transfers to create board-designated endowment funds	15,315	-	15,315
Endowment net assets - End of year	<u>\$ 4,106,941</u>	<u>\$ -</u>	<u>\$ 4,106,941</u>

***Underwater Endowment Funds***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SMIFA requires the Food Bank to retain as a fund of perpetual duration. As of June 30, 2023 and 2022, there were no funds with deficiencies.

***Return Objectives and Risk Parameters***

The Food Bank has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Food Bank must hold in perpetuity or for a donor-specified period, as well as board-designated funds. The long-term investment objective for the endowment funds is to generate sufficient income to support its programs while preserving the related principal.

***Strategies Employed for Achieving Objectives***

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

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

Through the combination of investment strategy and payout policy, the Food Bank strives to provide a reasonable and consistent payout from endowment funds to support operations, while preserving the purchasing power of the endowment adjusted for inflation. The annual and long-term spending rate is subject to approval by the board of directors. For the years ended June 30, 2023 and 2022, the board approved a spending rate of 4.0 percent.

**Note 13 - 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 \$246,438 and \$197,877 for the years ended June 30, 2023 and 2022, respectively.

**Note 13 - 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 14 - Related Party Transactions**

The Food Bank paid \$846,687 and \$456,176 during the years ended June 30, 2023 and 2022, respectively, for food and supplies provided by firms for which board members are part of management. The Food Bank also paid \$382,000 and \$422,073 during the years ended June 30, 2023 and 2022, respectively, for consulting services from a firm of which a board member is a partner.

**Note 15 - 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.

	2023	2022
Cash and cash equivalents	\$ 9,505,012	\$ 7,483,839
Investments	28,533,338	29,459,345
Grants receivable	2,438,777	2,620,351
Accounts receivable	282,329	328,740
Contributions receivable - Net	2,240,852	3,334,659
Financial assets - At year end	43,000,308	43,226,934
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions - Restricted by donor with purpose restrictions	3,467,454	6,325,282
Board designations - Board-designated endowment funds	5,619,655	4,106,941
Financial assets available to meet cash needs for general expenditures within one year	\$ 33,913,199	\$ 32,794,711

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 \$10,800,000 as of June 30, 2023.

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.