
Northern Illinois Food Bank

Financial Report
June 30, 2022

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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 Northern Illinois Food Bank (the "Food Bank"), which comprise the statement of financial position as of June 30, 2022 and 2021 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, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 3, 2022 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 3, 2022

Statement of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 7,483,839	\$ 20,472,729
Certificates of deposit	-	1,018,353
Investments (Note 4)	29,459,345	17,582,756
Receivables:		
Grants receivable	2,620,351	2,503,620
Accounts receivable	328,740	172,706
Contributions receivable - Net (Note 3)	3,334,659	543,077
Inventory (Note 5)	6,879,233	8,739,350
Prepaid expenses and other assets:		
Prepaid expenses	104,593	59,917
Deposits and coupons	83,882	5,000
Property and equipment - Net (Note 6)	20,353,559	19,080,554
	<u>\$ 70,648,201</u>	<u>\$ 70,178,062</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,308,160	\$ 642,624
Accrued liabilities and other:		
Due to agencies	308,844	380,930
Accrued wages	1,356,405	1,292,519
Other accrued expenses	191,966	419,261
Bonds payable - Net (Note 7)	5,414,143	5,805,269
	<u>8,579,518</u>	<u>8,540,603</u>
Total liabilities		
Net Assets		
Without donor restrictions:		
Without donor restrictions	50,624,466	53,451,715
Board designated	4,106,941	3,451,867
	<u>54,731,407</u>	<u>56,903,582</u>
Total without donor restrictions		
With donor restrictions	7,337,276	4,733,877
	<u>62,068,683</u>	<u>61,637,459</u>
Total net assets		
	<u>\$ 70,648,201</u>	<u>\$ 70,178,062</u>
Total liabilities and net assets		

Northern Illinois Food Bank

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Program service fees	\$ 5,291,365	\$ -	\$ 5,291,365	\$ 5,092,437	\$ -	\$ 5,092,437
Contributions and grants	22,297,808	8,823,223	31,121,031	26,897,598	5,350,003	32,247,601
Fees and grants from government agencies	8,738,314	-	8,738,314	13,088,647	-	13,088,647
Miscellaneous (loss) income	(166,898)	-	(166,898)	368,806	-	368,806
Contributed food and nonfinancial assets	123,308,286	-	123,308,286	168,745,980	-	168,745,980
Gain on forgiveness of Paycheck Protection Program loan	-	-	-	1,222,230	-	1,222,230
Investment (loss) income - Net	(3,189,914)	-	(3,189,914)	2,656,680	-	2,656,680
Net assets released from restrictions	6,219,824	(6,219,824)	-	4,621,044	(4,621,044)	-
Total revenue and support	162,498,785	2,603,399	165,102,184	222,693,422	728,959	223,422,381
Expenses						
Program services:						
Food Bank operations	33,605,820	-	33,605,820	30,570,486	-	30,570,486
Contributed food distributed	124,921,126	-	124,921,126	172,979,187	-	172,979,187
Total program services	158,526,946	-	158,526,946	203,549,673	-	203,549,673
Support services:						
Management and general	2,866,176	-	2,866,176	2,413,372	-	2,413,372
Fundraising	3,277,838	-	3,277,838	3,412,100	-	3,412,100
Total expenses	164,670,960	-	164,670,960	209,375,145	-	209,375,145
(Decrease) Increase in Net Assets	(2,172,175)	2,603,399	431,224	13,318,277	728,959	14,047,236
Net Assets - Beginning of year	56,903,582	4,733,877	61,637,459	43,585,305	4,004,918	47,590,223
Net Assets - End of year	\$ 54,731,407	\$ 7,337,276	\$ 62,068,683	\$ 56,903,582	\$ 4,733,877	\$ 61,637,459

Northern Illinois Food Bank

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	
Total salaries and related expenses	7,685,879	2,005,663	1,624,010	11,315,552	
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	1,426,826	-	-	1,426,826	
Total functional expenses	\$ 158,526,946	\$ 2,866,176	\$ 3,277,838	\$ 164,670,960	

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	
Total salaries and related expenses	7,738,003	1,938,730	1,469,826	11,146,559	
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	
Total functional expenses	\$ 203,549,673	\$ 2,413,372	\$ 3,412,100	\$ 209,375,145	

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash and cash equivalents received from contributions and grants	\$ 27,966,341	\$ 29,553,939
Cash and cash equivalents received from program services	14,037,530	18,166,520
Cash paid to suppliers and employees	(37,689,746)	(36,995,422)
Net cash and cash equivalents provided by operating activities	4,314,125	10,725,037
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,975,304)	(2,648,121)
Proceeds from sale of property and equipment	74,450	17,900
Purchase of investments	(23,387,438)	(5,694,379)
Proceeds from sale of investments	8,365,466	3,848,293
Transfer of certificates of deposit	1,018,353	(5,020)
Net cash and cash equivalents used in investing activities	(16,904,473)	(4,481,327)
Cash Flows Used in Financing Activities - Principal payments on tax-exempt revenue bonds	(398,542)	(398,541)
Net (Decrease) Increase in Cash and Cash Equivalents	(12,988,890)	5,845,169
Cash and Cash Equivalents - Beginning of year	20,472,729	14,627,560
Cash and Cash Equivalents - End of year	<u>\$ 7,483,839</u>	<u>\$ 20,472,729</u>
Reconciliation of Increase in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities		
Increase in net assets	\$ 431,224	\$ 14,047,236
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	1,434,242	1,343,181
Loss (gain) on sale of property and equipment	201,023	(5,525)
Forgiveness of Paycheck Protection Program loan	-	(1,222,230)
Net change in realized and unrealized gain on investments	3,508,492	(2,387,833)
Increase in provision for uncollectible accounts	140,270	12,621
Noncash donated goods and services	(123,308,286)	(168,745,980)
Noncash donated goods and services expense	125,271,882	173,126,077
Noncash donated stock	(363,109)	(1,202,930)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(156,034)	27,428
Grants receivable	(116,731)	(1,840,234)
Contributions receivable	(2,931,852)	(281,124)
Purchased inventory	(103,479)	(879,966)
Prepaid expenses	(44,676)	(23,457)
Deposits and coupons	(78,882)	(1,505,127)
Accounts payable	665,536	319,015
Accrued expenses	(163,409)	(56,115)
Due to agencies	(72,086)	-
Net cash and cash equivalents provided by operating activities	<u>\$ 4,314,125</u>	<u>\$ 10,725,037</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, 2022, the Food Bank provided more than 80 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.

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.

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.

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.

Note 2 - Significant Accounting Policies (Continued)

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

Adoption of New Accounting Pronouncement

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets are reported by category above, which includes additional disclosures as to whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance became effective as of July 1, 2021 and was applied using the retrospective method.

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 or the beginning of the year of adoption. 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)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including November 3, 2022, 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 \$3,334,659 and \$543,077 as of June 30, 2022 and 2021, respectively. The allowance for uncollectible pledges totaled \$121,107 and \$10,000 as of June 30, 2022 and 2021, respectively. Discount at a rate of 3 percent totaled \$31,784 and \$2,621 as of June 30, 2022 and 2021, 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, 2022 and 2021 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, 2022 and 2021

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in			
	Active Markets	Significant Other	Significant	Balance at
	for Identical	Observable	Unobservable	
Assets	Inputs	Inputs	June 30, 2022	
	(Level 1)	(Level 2)	(Level 3)	
Assets				
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	\$ 16,492,278	\$ 5,105,721	\$ -	\$ 21,597,999

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	Quoted Prices in			
	Active Markets	Significant Other	Significant	Balance at
	for Identical	Observable	Unobservable	
Assets	Inputs	Inputs	June 30, 2021	
	(Level 1)	(Level 2)	(Level 3)	
Assets				
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

Not included in the above tables is \$7,861,346 and \$2,024,560 of cash held in the investment account at June 30, 2022 and 2021, respectively.

The fair values of municipal bonds, corporate fixed-income securities, government securities, and certificates of deposit at June 30, 2022 and 2021 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.

June 30, 2022 and 2021

Note 5 - Inventory

Inventory at June 30, 2022 and 2021 consists of the following:

	2022		2021	
	Dollars	Pounds	Dollars	Pounds
Donated	\$ 3,150,639	1,639,250	\$ 5,202,557	2,571,449
Purchased	1,697,990	1,890,172	1,449,645	2,295,708
United States Department of Agriculture (Emergency Food Program)	1,889,380	1,279,797	1,800,053	1,401,781
Temporary Assistance for Needy Families	33,537	39,121	115,129	112,657
Emergency Food and Shelter Program	107,687	35,282	171,966	246,118
Total	\$ 6,879,233	4,883,622	\$ 8,739,350	6,627,713

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Geneva building	\$ 17,526,090	\$ 16,772,325	39
Geneva land	2,338,673	2,338,673	-
Building and improvements	1,058,473	1,683,166	5-39
Furniture and equipment	2,652,996	2,548,146	5-10
Computers and software	1,024,682	648,779	3
Vehicles	4,593,030	4,796,174	5
Construction in progress	1,760,375	599,624	-
Total cost	30,954,319	29,386,887	
Accumulated depreciation	10,600,760	10,306,333	
Net property and equipment	\$ 20,353,559	\$ 19,080,554	

Depreciation expense for 2022 and 2021 was \$1,426,826 and \$1,335,765, 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, 2022 and 2021

Note 7 - Bonds Payable (Continued)

Minimum principal payments on the bonds payable to maturity as of June 30, 2022 are as follows:

Years Ending	Amount
2023	\$ 398,542
2024	398,542
2025	398,542
2026	398,542
2027	398,542
Thereafter	3,518,971
Less net bond issuance costs	<u>(97,538)</u>
Total	<u>\$ 5,414,143</u>

Total interest expense incurred and paid was \$145,190 and \$155,297 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 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. 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, 2022 and 2021, 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 ended on August 31, 2022. A new lease was entered into on December 8, 2021 for the Green Oaks location and ends on March 31, 2032. 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 \$366,825 and \$232,196 for 2022 and 2021, respectively.

The Food Bank also leases vehicles and equipment on a month-to-month or long-term basis. Expense under these leases was \$105,406 and \$309,125 for 2022 and 2021, respectively.

Note 9 - Operating Leases (Continued)

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

Years Ending June 30	Amount
2023	\$ 379,599
2024	375,229
2025	345,018
2026	307,772
2027	270,756
Thereafter	<u>1,068,976</u>
Total	<u>\$ 2,747,350</u>

Note 10 - Net Assets

Net assets as of June 30, 2022 and 2021 are with donor restrictions for the following purposes:

	2022	2021
Purpose restricted - Primarily programs	\$ 3,045,405	\$ 3,169,660
Purpose restricted - Use on building:		
Expiring in 2023	-	65,466
Expiring in 2028	329,120	329,120
Expiring in 2030	250,000	250,000
Expiring in 2031	425,000	425,000
Expiring in 2032	<u>7,875</u>	<u>7,875</u>
Total purpose restricted - Use on building	1,011,995	1,077,461
Time and purpose restricted - Pledges receivable, primarily for programs	<u>3,279,876</u>	<u>486,756</u>
Total net assets with donor restrictions	<u>\$ 7,337,276</u>	<u>\$ 4,733,877</u>

The use restriction on building relates to forgivable mortgage notes totaling approximately \$1,012,000 and \$1,077,000 as of June 30, 2022 and 2021, 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 \$6,219,824 and \$4,621,044 as of June 30, 2022 and 2021, 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 \$197,877 and \$184,610 for the years ended June 30, 2022 and 2021, 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.

June 30, 2022 and 2021

Note 12 - Related Party Transactions

The Food Bank paid \$878,249 and \$439,546 during the years ended June 30, 2022 and 2021, respectively, for food provided by a firm for which a board member is part of management. The Food Bank also paid \$0 and \$25,000 during the years ended June 30, 2022 and 2021, respectively, for consulting services from a firm of 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.

	2022	2021
Cash and cash equivalents	\$ 7,483,839	\$ 20,472,729
Investments	29,459,345	17,582,756
Certificates of deposit	-	1,018,353
Grants receivable	2,620,351	2,503,620
Accounts receivable	328,740	172,706
Contributions receivable - Net	3,334,659	543,077
Financial assets - At year end	43,226,934	42,293,241
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions - Restricted by donor with purpose restrictions	6,325,282	3,456,414
Board designations - Board-designated endowment funds	4,106,941	3,451,867
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,794,711	\$ 35,384,960

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 \$5,380,000 as of June 30, 2022.

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.