



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

MIDWEST FOOD BANK, NFP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Food Bank, NFP
Normal, Illinois

We have audited the accompanying financial statements of Midwest Food Bank, NFP (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Midwest Food Bank, NFP as of December 31, 2019 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Phillips, Salmi & Associates, LLC

Washington, Illinois
June 1, 2020

MIDWEST FOOD BANK, NFP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	3,041,499
Investments		2,259,320
Inventory		16,416,429
Contribution receivable - charitable lead trust		8,755
Other		57,555
		57,555

Total current assets		21,783,558
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Cash restricted to purchase land, buildings and equipment		844,117
Contribution receivable - charitable lead trust, less current portion		56,344
Land, buildings and equipment, net		13,029,724
		13,029,724

TOTAL ASSETS	\$	35,713,743
		35,713,743

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$	977,332
Current maturities of long-term debt		132,069
Accounts payable		129,242
Accrued wages and payroll taxes		102,149
		102,149

Total current liabilities		1,340,792
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Long-term debt, less current maturities		2,044,085
		2,044,085

TOTAL LIABILITIES		3,384,877
		3,384,877

NET ASSETS

Without donor restrictions		31,123,467
With donor restrictions		1,205,399
		1,205,399

TOTAL NET ASSETS		32,328,866
		32,328,866

TOTAL LIABILITIES AND NET ASSETS	\$	35,713,743
		35,713,743

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, SUPPORT, AND GAINS			
Contributions and grants:			
General public	\$ 5,696,869	\$ 1,197,821	\$ 6,894,690
Donated food, vehicles, equipment and services	270,649,376	-	270,649,376
Special events	809,831	-	809,831
Tender Mercies	132,117	-	132,117
Net investment gain	457,540	-	457,540
Other	67,262	-	67,262
Change in value of charitable lead trust	-	2,840	2,840
Net assets released from restrictions	1,595,935	(1,595,935)	-
	<u>279,408,930</u>	<u>(395,274)</u>	<u>279,013,656</u>
TOTAL REVENUE, SUPPORT, AND GAINS			
EXPENSES			
Program services	279,505,173	-	279,505,173
Management and general	998,014	-	998,014
Fundraising	854,074	-	854,074
	<u>281,357,261</u>	<u>-</u>	<u>281,357,261</u>
TOTAL EXPENSES			
CHANGE IN NET ASSETS	<u>(1,948,331)</u>	<u>(395,274)</u>	<u>(2,343,605)</u>
NET ASSETS - BEGINNING	<u>33,071,798</u>	<u>1,600,673</u>	<u>34,672,471</u>
NET ASSETS - ENDING	<u>\$ 31,123,467</u>	<u>\$ 1,205,399</u>	<u>\$ 32,328,866</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Wages	\$ 1,039,772	\$ 697,284	\$ 278,760	\$ 2,015,816
Payroll taxes	94,813	53,748	21,199	169,760
Donated food and supplies	272,791,374	-	-	272,791,374
Contributed professional truck driver services	195,525	-	-	195,525
Purchased food	1,272,492	-	-	1,272,492
Fuel	342,702	6,994	-	349,696
Professional fees	-	26,229	-	26,229
Supplies	373,875	25,643	-	399,518
Telephone and internet	77,162	4,287	4,287	85,736
Shipping	830,860	8,096	8,096	847,052
Occupancy	19,000	1,000	-	20,000
Repairs and maintenance	440,864	22,997	-	463,861
Interest	92,238	4,855	-	97,093
Insurance	201,767	9,678	-	211,445
Utilities	342,001	18,000	-	360,001
Newsletters and promotional	-	-	114,120	114,120
Purchased services	125,829	6,623	-	132,452
Travel	77,881	4,327	4,327	86,535
IT systems	35,891	40,377	13,459	89,727
Bank and credit card fees	1,728	2,224	42,254	46,206
Grant administration	-	-	1,600	1,600
Charitable contributions	23,721	-	-	23,721
Fundraising events	-	-	359,199	359,199
Depreciation	1,055,643	55,560	-	1,111,203
Miscellaneous	70,035	10,092	6,773	86,900
Total expenses by function	<u>\$ 279,505,173</u>	<u>\$ 998,014</u>	<u>\$ 854,074</u>	<u>\$ 281,357,261</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,343,605)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	1,111,203
Unrealized gain on investments	(343,416)
Non-cash donation of property and equipment	(749,175)
Non-cash donation of capitalized service	(98,075)
Gain on disposal of land, buildings and equipment	(6,319)
Contributions restricted for long-term investment	(466,812)
Change in value of charitable lead trust	(2,840)
(Increase) decrease in operating assets	
Inventory	3,189,907
Contribution receivable - charitable lead trust	8,756
Pledges receivable	15,000
Other	(44,186)
Increase (decrease) in operating liabilities	
Accounts payable	(53,288)
Real estate taxes advances	(5,911)
Accrued expenses	29,748
Net cash provided by operating activities	240,987

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of land, buildings and equipment	(1,006,508)
Proceeds from sale of land, buildings and equipment	730,745
Reductions in cash restricted to purchase land, buildings and equipment	261,628
Purchases of investments	(154,932)
Proceeds from sales of investments	55,510
Net cash used in investing activities	(113,557)

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for investment in land, buildings and equipment	\$ 466,812
New borrowings	
Line of credit	706,275
Capital lease	146,980
Debt repayments	
Line of credit	(1,184,121)
Notes payable	(116,602)
Capital lease	(36,000)
	(16,656)
Net cash used in financing activities	(16,656)
INCREASE IN CASH AND CASH EQUIVALENTS	110,774
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,930,725
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,041,499
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	\$ 97,093
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES	
Non-cash donations of property, equipment and capitalized services	\$ 847,250
Non-cash acquisition of property and equipment through capital lease	146,980

See accompanying notes.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1. ORGANIZATION AND PURPOSE

Midwest Food Bank, NFP (Organization) is a faith based nonprofit organization. It is the mission of Midwest Food Bank to share the love of Christ by alleviating hunger and malnutrition locally and throughout the world and providing disaster relief; all without discrimination. Midwest Food Bank currently distributes food to over 2,000 non-profit organizations each month. This is done from ten locations in Illinois, Arizona, Florida, Georgia, Indiana, Texas, East Africa and Haiti. The Organization is structured to provide service opportunities and operate through the work of volunteers.

Midwest Food Bank provides services throughout the United States through the following programs:

Food for Non-Profits - Midwest Food Bank serves non-profit organizations such as food pantries, soup kitchens, homeless shelters, churches and other non-profit organizations helping their community. The non-profit organizations can pick up food from a Midwest Food Bank location to then distribute to people in their communities.

Disaster Relief – Midwest Food Bank has a fleet of trucks and a team of volunteer drivers who stand ready. Food donations are picked up from across the country and delivered to one of the facilities. Volunteers pack the boxes, load them on semis and drive them to affected areas. As a first responder, the Organization can have family food boxes on the road to a disaster site within 24 hours of a request. Each food box has enough food to feed a family of 4 for 4 to 5 days.

Tender Mercies – This program enables nutritious meals to be produced and distributed to those most in need. The Tender Mercies meal packet consists of high-grade rice, pre-cooked pinto beans, fortified chicken seasoning, and a soy protein. Tender Mercies is an essential component of Midwest Food Bank's international effort. In East Africa, Tender Mercies is locally sourced and packaged for distributing. The main focus of Midwest Food Bank's efforts in Haiti is providing Tender Mercies meals to school children. The nature of Tender Mercies allows it to be adapted to different cultures' tastes. The Organization also sell the Tender Mercies meals to other Non-Profits to further serve their communities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and use of estimates

The financial statements have been prepared on the accrual basis of account in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and currency exchange

The functional currency of the Organization is U.S. dollars. East African transactions and balances were converted to U.S. dollars using a monthly average conversion rate. Building and equipment purchases were converted at the exchange rate on the date of purchase. Ending cash balances were converted at the exchange rate at December 31, 2019.

Cash and cash equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to purchase land, building and equipment are excluded from this definition.

Investments

The Organization records investments purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of position. Net investment gain is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, net of related expenses which are nominal due to the types of investments held.

Inventory

Inventory is stated at an estimated fair market value based upon published prices, vendors, donors, and other sources. Generally, inventory on hand is tracked and valued based on value per case depending upon the specific food or supply item. The method is applied consistently. The per-case valuation is reassessed quarterly utilizing the most relevant cost information available.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. The Organizations use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash restricted to purchase land, buildings and equipment

Cash restricted to purchase land, buildings and equipment has been restricted by donors and is not available for operating purposes.

Contribution receivable – charitable lead trust

The Organization's beneficial interest in a charitable lead trust is reported at fair value, which is estimated using an income approach based on assumptions developed by the Organization about future distributions it will receive from the trust. Changes in fair value of the contribution receivable are reflected in the with donor restrictions class of net assets. Distributions from the trust are reflected as reductions in the contribution receivable and net assets with donor-imposed time restrictions are released to net assets without donor restrictions.

Land, building and equipment

Land, buildings and equipment are stated at cost or if donated, at the fair value at the date of donation. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Land, building and equipment expenditures of \$1,000 or less are charged to expense when incurred. Depreciation expense for year ended December 31, 2019 totaled \$1,111,203. Depreciation is computed on the straight-line basis of depreciation over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	7-15 years
Warehouse equipment	5-10 years
Trucks and trailers	5-7 years
Freezers	7 years
Office and miscellaneous equipment	5-15 years

The Organization reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue recognition

The Organization follows ASC Subtopic 958-605, *Revenue Recognition*, to recognize cash and gift-in-kind contributions from individuals and domestic and multi-national organizations. These contributions, including unconditional promises to give, are recognized as revenue with the donor's unconditional commitment is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

The Organization received donations of food, medical supplies, clothing and other goods for use in its programs, collectively gifts-in-kind. These donations are recorded at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal market, considering their condition and utility for use at the time the goods are donated. Several methodologies are used in the determination of estimated wholesale value, include wholesale values provided by the donor, published industry pricing guides, internally researched values, and internal average values for like-kind items.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets without donor restrictions include all resources that are expendable at the discretion of the Board of Directors (Board) and/or management for general operating purposes or the Organizations programs.

With Donor Restrictions – Net assets with donor restrictions consist of resources whose use is limited by donor-imposed time and/or purpose restrictions. The Organization’s donor-imposed restrictions are temporary in nature, such as those which will be met by the passage of time or other events specified by the donor. When a donor restriction expires, that is, when a stipulated restriction ends or when the stipulated purpose for which the resource was restricted has been fulfilled, the net assets are reclassified to net assets without donor restriction in the statement of activities as net assets released from restrictions.

Gifts-in-kind

Contributed food and supplies received by the Organization are recorded as income along with a corresponding charge to expense or inventory. Donations-in-kind of food and supplies recognized in the financial statements for the year ended December 31, 2019 were \$269,603,513.

Contributed vehicles and equipment received by the Organization and to be used by the Organization are recorded as income along with a corresponding charge to equipment. Donations-in-kind of vehicles and equipment recognized in the financial statements for the year ended December 31, 2019 were \$39,680. Contributions of non financial assets to be sold are recorded as income and assets available for sale when donated. During the year ended December 31, 2019 a gift of an interest in real estate was received totaling \$709,495.

Contributed skilled labor for the construction of assets to be used by the Organization are recorded as income along with a corresponding charge to building. Donations-in-kind of skilled labor recognized in the financial statements for the year ended December 31, 2019 were \$98,075.

Contributed services of professional truck drivers and other services are recognized as in-kind revenues at the estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated; these amounted to \$198,613 for the year ended December 31, 2019.

Over 31,700 people participated in the Organization’s volunteer program during the year ended December 31, 2019. Community members volunteered in many capacities. A dollar valuation of their efforts is not included in the financial statements because it does not meet the criteria for recognition. However, volunteer hours for the year ended December 31, 2019 were approximately 309,000.

Advertising costs

Advertising costs, which primarily consist of direct mail appeals and related postage, are expensed as incurred and were \$114,120 during the year ended December 31, 2019.

Income taxes

Midwest Food Bank is organized as an Illinois nonprofit corporation and has been recognized by the IRS and State of Illinois as exempt from income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A), and has been determined not to be private foundations under IRC Sections 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and the AG-990-IL with the State of Illinois. In addition, the Organization is subject to

income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

In the normal course of business, the Organization is subject to examination by taxing authorities. The Organization's income informational returns for years subsequent to December 31, 2015 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that Midwest Food Bank currently files or has filed with.

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated to the program and supporting services benefited based upon employee time-studies, occupancy of buildings, and indirect cost allocation estimates.

Financial instruments and credit risk

The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The approximate credit risk in excess of federal insured limits at December 31, 2019 was \$1,606,154. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. Investments are made by an investment manager whose performance is monitored by management. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes the investment guidelines are prudent for the long-term welfare of the organizations.

Economic dependence

Contributed food and supplies donors - In 2019, the largest food and supplies donor accounted for approximately 18% of the food and supplies donations received by the Organization.

Subsequent events

The Organization has evaluated subsequent events through June 1, 2020, the date on which the financial statements were available to be issued. As a result of the spread of the Coronavirus Disease (COVID-19), economic uncertainties have arisen which are likely to negatively impact net market values and returns. Other financial impact could occur though such potential impact is unknown at this time and an estimate of the loss cannot be made.

NOTE 3. LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its general operating needs while also striving to maintain sufficient reserves to meet operating needs during periods of uncertainty and to assume longer term commitments will continue to be met. The Organizations strategy is to operate within a balanced budget that anticipates collection sufficient revenue to cover general expenditures. The Organization's annual operating cash needs are determined during the budget process. During the year, cash is monitored and evaluated monthly.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 3,041,499
Investments	2,259,320
Distributions from assets held under charitable lead trust	<u>8,755</u>
Total financial assets without donor restrictions	5,309,574
Less those unavailable for general expenditures within one year, due to:	
With donor purpose restriction	<u>(296,183)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,013,391</u>

The Organization considers investment income without donor restrictions and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses and fundraising expenses expected to be paid in a subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

NOTE 4. CHARITABLE LEAD TRUST

During 2013, a donor established a trust with a national bank naming the Organization as a beneficiary of a charitable lead trust. The assets of the trust fund consists investments managed by the trustees. The Organization has no control over those assets. Under terms of the split-interest agreement, the Organization is to receive an annual distribution equal to .2335% of the original fair market value of assets in the trust for its unrestricted use for 15 years. After 15 years, the remaining trust assets are to be distributed to others. The Organization received \$8,756 from the trust in 2019, which was recorded as a reduction in the receivable and a corresponding reclassification from net asset with donor restrictions to net assets without donor restrictions.

NOTE 5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of:

Land	\$ 973,613
Buildings and improvements	12,556,125
Warehouse equipment	933,094
Trucks and trailers	4,068,889
Freezers	1,218,857
Office and miscellaneous equipment	334,301
Construction in process	<u>8,710</u>
	20,093,589
Less accumulated depreciation	<u>7,063,865</u>
Land, buildings and equipment, net	<u>\$ 13,029,724</u>

NOTE 6. LONG-TERM DEBT

LINES OF CREDIT

\$1,530,000, interest at 3.00%, principal payment upon maturity on November 23, 2021. Quarterly interest payments beginning February 23, 2017. Secured by real property in McLean County, Illinois.	\$ 977,332
\$937,500, interest at 4.50%, principal payment upon maturity on December 3, 2023. Quarterly interest payments beginning March 3, 2019. Secured by real property in Tazewell County, Illinois.	<u>-</u>
Total lines of credit	<u>\$ 977,332</u>

NOTES PAYABLE

TERM NOTE \$1,785,000, interest at 3.00%, 19 quarterly installments of \$29,869, including interest, with a final balloon payment due on September 8, 2021. Secured by real property in Maricopa County, Arizona.	\$ 1,544,015
TERM NOTE \$555,010, interest at 4.25%, 34 monthly installments of \$4,192, including interest, with a final balloon payment due on August 26, 2021. Secured by real property and inventory in Peachtree City, Georgia.	<u>521,159</u>
	2,065,174

CAPITAL LEASE

Semi-truck \$146,980, interest at 4.90%, 4 annual payments of \$36,000, including interest, with a final balloon payment due on June 17, 2022. Guaranteed buy-out on final payment.	<u>110,980</u>
	<u>\$ 2,176,154</u>

The future minimum payments on the above notes payable and capital lease are as follows:

	Total	Notes payable	Capital lease
2020	\$ 132,069	\$ 101,507	\$ 30,562
2021	1,995,727	1,963,667	32,060
2022	<u>48,358</u>	<u>-</u>	<u>48,358</u>
Total	<u>\$ 2,176,154</u>	<u>\$ 2,065,174</u>	<u>\$ 110,980</u>

NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019, net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specific purpose:

Operations:

Tender Mercies	\$	127,165
NYC		94,879
Disaster relief		14,984
Meat program		16,554
Backpack program		19,683
Give thanks		11,669
Emergency box project		11,249

Land, building and equipment:

Truck and trailer purchases		47,166
Facility expansion		725,221
Forklift		54,730
Debt pay down		17,000

1,140,300

Subject to passage of time:

Charitable lead trust		65,099
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\$ 1,205,399

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Satisfaction of purpose restrictions

Operations:

Tender Mercies	\$	537,854
NYC		117,209
Disaster relief		23,557
Meat program		65,812
Backpack program		75,536
Give thanks		33,634
Emergency box project		2,737

Land, building and equipment:

Truck and trailer purchases		160,710
Facility expansion		553,860
Forklift		11,770
Debt pay down		4,500

Expiration of time restriction 8,756

\$ 1,595,935

NOTE 8. FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments: where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 securities include mutual funds and exchange traded equities

Beneficial interest in trust: valued at fair market value of trust assets, which approximates the net present value of estimated future earnings to be received there from. See Note 4 for further information on valuation of trust.

Fair values of assets measured on a recurring basis as of December 31, 2019 are as follows:

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Mutual funds	\$ 2,078,306	\$ 2,078,306	\$ -	\$ -
Exchange traded funds	<u>181,014</u>	<u>181,014</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,259,320</u>	<u>\$ 2,259,320</u>	<u>-</u>	<u>-</u>
Beneficial interest in charitable lead trust	<u>\$ 65,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,099</u>

Reconciliation of level 3 assets measured at fair value on a recurring basis using significant unobservable inputs:

Beneficial interest in charitable lead trust

Value, beginning of year	\$ 71,015
Change in value of charitable lead trust	2,840
Payment from charitable lead trust	<u>(8,756)</u>
Value, end of year	<u>\$ 65,099</u>

The change in value of the charitable lead trust of \$2,840 is attributable to the unrealized gain on remeasurement of the contribution receivable – charitable lead trust as of December 31, 2019.

NOTE 9. RELATED PARTY TRANSACTIONS

Midwest Food Bank may purchase goods or services from companies that are affiliated with or owned by Board members directly or indirectly. Generally, items and services are purchased using a competitive process. The Organization also borrows money from a bank where a Board member is a stockholder and director. The interest expense from these loans were \$73,812 for the year ended December 31, 2019.

During 2019, Midwest Food Bank received a non-cash contribution from a Board Member’s family, and subsequently sold the asset for cash proceeds to another member of the Board Member’s family. The asset contributed and the cash proceeds from the sale were \$709,495.

NOTE 10. LEASING ACTIVITIES

During 2014, the Organization entered into a land lease agreement at the East Africa location. Under the terms of the lease, the Organization is required to make a fixed annual payment of 1,000 Kenyan Shillings through October 31, 2034. At the end of the lease period, the ownership of the building built on the leased land shall be transferred to the lessor for 20,000 Kenyan Shillings. During 2016, the Organization prepaid the annual payment for the duration of the lease.