



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

MIDWEST FOOD BANK, NFP
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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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, 2018, 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, 2018 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

May 2, 2019

MIDWEST FOOD BANK, NFP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	2,930,725
Investments		1,816,482
Inventory		19,606,336
Contribution receivable, charitable lead trust		8,755
Other		13,369

Total current assets		24,375,667
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Pledges receivable, restricted for purchase of land, buildings and equipment		15,000
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Cash restricted to purchase land, buildings and equipment		1,105,745
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Contribution receivable - charitable lead trust, less current portion		62,260
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Land, buildings and equipment, net		13,011,595
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TOTAL ASSETS	\$	38,570,267
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Line of credit	\$	1,455,178
Current maturities of long-term debt		97,810
Accounts payable		182,530
Real estate tax advances		5,911
Accrued wages and payroll taxes		72,401

Total current liabilities		1,813,830
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Notes payable, less current maturities		2,083,966
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TOTAL LIABILITIES		3,897,796
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NET ASSETS

Without donor restrictions		33,071,798
With donor restrictions		1,600,673

TOTAL NET ASSETS		34,672,471
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TOTAL LIABILITIES AND NET ASSETS	\$	38,570,267
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See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE, SUPPORT, AND GAINS			
Contributions and grants			
General public	\$ 5,504,098	\$ 1,932,812	\$ 7,436,910
Donated food, vehicles, equipment and services	229,928,875	-	229,928,875
Special events	788,242	-	788,242
Tender Mercies	134,188	-	134,188
Net investment loss	(154,661)	-	(154,661)
Rent	36,350	-	36,350
Other	75,884	-	75,884
Change in value of split interest agreement	-	3,068	3,068
Net assets released from restrictions	1,378,472	(1,378,472)	-
	<u>237,691,448</u>	<u>557,408</u>	<u>238,248,856</u>
Total Revenue, Support and Gains			
EXPENSES			
Program services	232,260,156	-	232,260,156
Management and general	1,123,151	-	1,123,151
Fundraising	776,111	-	776,111
	<u>234,159,418</u>	<u>-</u>	<u>234,159,418</u>
Total Expenses			
CHANGE IN NET ASSETS	<u>3,532,030</u>	<u>557,408</u>	<u>4,089,438</u>
NET ASSETS - BEGINNING	<u>29,539,768</u>	<u>1,043,265</u>	<u>30,583,033</u>
NET ASSETS - ENDING	<u>\$ 33,071,798</u>	<u>\$ 1,600,673</u>	<u>\$ 34,672,471</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Wages	\$ 897,638	\$ 624,054	\$ 218,603	\$ 1,740,295
Payroll taxes	68,862	48,833	17,106	134,801
Donated food and supplies	225,532,832	-	-	225,532,832
Contributed professional truck driver services	178,457	-	-	178,457
Purchased food	1,094,842	-	-	1,094,842
Fuel	349,693	18,405	-	368,098
Professional fees	-	29,371	-	29,371
Supplies	371,109	46,841	-	417,950
Telephone and internet	113,434	6,302	6,302	126,038
Shipping	967,380	53,743	53,743	1,074,866
Occupancy	62,213	3,274	-	65,487
Repairs and maintenance	415,647	21,876	-	437,523
Interest	110,208	5,800	-	116,008
Insurance	265,711	13,985	-	279,696
Utilities	333,698	17,563	-	351,261
Newsletters and promotional	-	-	122,653	122,653
Purchased services	122,692	6,457	-	129,149
Travel	70,530	3,918	3,918	78,366
IT systems	143,238	161,143	53,714	358,095
Bank and credit card fees	-	2,245	42,645	44,890
Grant administration	-	-	14,183	14,183
Charitable contributions	34,495	-	-	34,495
Fundraising events	-	-	243,244	243,244
Depreciation	1,065,787	56,094	-	1,121,881
Miscellaneous	61,690	3,247	-	64,937
Total expenses by function	<u>\$ 232,260,156</u>	<u>\$ 1,123,151</u>	<u>\$ 776,111</u>	<u>\$ 234,159,418</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	4,089,438
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		1,121,881
Unrealized loss on investments		261,761
Non-cash donation of equipment		(34,176)
Gain on disposal of land, buildings and equipment		(31,447)
Contributions restricted for long-term investment		(1,034,780)
Change in value of split-interest agreement		(3,068)
(Increase) decrease in operating assets		
Inventory		(4,384,439)
Contribution receivable - charitable lead trust		8,755
Pledges receivable		15,750
Other		95,275
Increase (decrease) in operating liabilities		
Accounts payable		(19,868)
Real estate taxes advances		(3,145)
Deferred revenue		(2,250)
Accrued expenses		(30,068)
Net cash provided by operating activities		49,619

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of land, buildings and equipment		(624,753)
Proceeds from sale of land, buildings and equipment		52,275
Additions to cash restricted to purchase land, buildings and equipment		(511,330)
Purchase of investments		(105,718)
Proceeds from sale of investments		461,380
Net cash used in investing activities		(728,146)

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM FINANCING ACTIVITIES	
Collections of contributions restricted for investment in land, buildings and equipment	\$ 1,034,780
New borrowings	
Line of credit	474,189
Notes payable	555,009
Debt repayments	
Line of credit	(730,140)
Notes payable	<u>(74,456)</u>
Net cash provided by financing activities	<u>1,259,382</u>
INCREASE IN CASH AND CASH EQUIVALENTS	580,855
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,349,870</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,930,725</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u><u>\$ 116,008</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES	
Noncash donations of property and equipment	<u><u>\$ 34,176</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization

Midwest Food Bank, NFP (Organization) is a nonprofit organization, which bestows food and supplies to individuals and organizations in the United States, East Africa and Haiti, as well as providing disaster relief across the United States for those areas impacted by natural disasters. The Organization has warehouse facilities in Illinois, Indiana, Florida, Georgia, Arizona and Texas. The Organization also sells Tender Mercies meals which are meal packets of rice, pinto beans, chicken seasoning and a soy protein.

B) 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, 2018.

C) 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.

D) 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 loss is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses.

E) 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.

F) 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.

G) 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.

H) 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.

I) 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, 2018 totaled \$1,121,881. 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.

J) 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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires at the later of when the stipulated time has elapsed or when the stipulated purpose for which the resource was restricted has been fulfilled.

K) Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

L) Donations-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, 2018 were \$229,716,242.

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, 2018 were \$34,176.

Contributed services of professional truck drivers 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 \$178,457 for the year ended December 31, 2018.

Over 22,754 people participated in the Organization's volunteer program during the year ended December 31, 2018. 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, 2018 were approximately 268,000.

M) Advertising Costs

Advertising costs are expensed as incurred and were \$122,653 during the year ended December 31, 2018.

N) 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 present the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated amount the program and supporting services benefited.

O) 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, 2014 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.

P) 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 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.

Q) 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, 2018 was \$2,037,513. Credit risk associated with promises to give is considered to be limited due to high historical collection rates. Investments are made 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.

R) Economic Dependence

Contributed Food and Supplies Donors

In 2018, the largest food and supplies donor accounted for approximately 11% of the food and supplies donations received by the Organization.

S) Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the Organization's year ended December 31, 2018.

T) Subsequent Events

The Organization has evaluated subsequent events through May 2, 2019, the date which the financial statements were available for issuance.

2) LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$	2,521,812
Investments		1,816,482
Distributions from assets held under charitable lead trust		8,755
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	\$	4,347,049
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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.

The Organization's annual operating cash needs are determined during the budget process. During the year, cash was monitored and evaluated monthly.

3) 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, 2018 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	\$ 1,675,580	\$ 1,675,580	\$ -	\$ -
Exchange traded funds	140,902	140,902	-	-
	<u>\$ 1,816,482</u>	<u>\$ 1,816,482</u>	-	-
Beneficial interest in charitable lead trust	<u>\$ 71,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,015</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	\$ 76,702
Change in value of split-interest agreement	3,068
Payment from charitable lead trust	<u>(8,755)</u>
Value, end of year	<u>\$ 71,015</u>

The change in value of the split-interest agreement of \$3,068 in 2018 is attributable to the unrealized gain on remeasurement of the contribution receivable – charitable lead trust as of December 31, 2018.

4) CHARITABLE LEAD TRUST SPLIT INTEREST AGREEMENT

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 \$8,755 from the trust in 2018, 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.

5) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of:

Land	\$ 973,613
Buildings and improvements	11,778,821
Warehouse equipment	953,249
Trucks and trailers	3,744,284
Freezers	1,231,446
Office and miscellaneous equipment	369,524
Construction in process	117,262
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	19,168,199
Less accumulated depreciation	6,156,604
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Land, buildings and equipment, net	<u><u>\$ 13,011,595</u></u>

6) 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,	\$ 1,455,178
\$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.	-
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Total	<u><u>\$ 1,455,178</u></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.	\$ 1,633,405
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.	548,371
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	<u><u>\$ 2,181,776</u></u>

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

2019	\$	97,810
2020		100,982
2021		1,982,984
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Total	\$	2,181,776
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7) NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2018, net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specific purpose:

Tender Mercies	\$	181,726
NYC		145,783
Truck and trailer purchases		106,895
Facility expansion		938,850
Forklift		60,000
Meat program		43,566
Backpack program		26,495
Give thanks		7,357
Emergency box project		3,986
Promises to give, the proceeds from which have been restricted by donors for Facility expansion		15,000
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		1,529,658
Subject to passage of time:		
Beneficial interest in trust		71,015
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	\$	1,600,673
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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, 2018:

Satisfaction of purpose restrictions		
Tender Mercies	\$	109,997
Disaster relief		514,225
NYC		12,538
Haiti		81,127
Truck and trailer purchases		402,105
Facility expansion		87,095
Refrigeration units		50,000
Meat program		56,398
Backpack program		17,699
Give thanks		22,538
Emergency box project		15,995
		<hr/>
		1,369,717
Expiration of time restriction		8,755
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	\$	<u>1,378,472</u>

8) 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 \$96,322 for the year ended December 31, 2018.

9) LEASING ACTIVITIES

The Organization leases a portion of their commercial buildings to third parties. The rental income was \$36,350 at December 31, 2018. The Organization did not extend the leases with the third parties.

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.