



Phillips, Salmi & Associates, LLC  
Certified Public Accountants

MIDWEST FOOD BANK, NFP  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED DECEMBER 31, 2014

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Assets – Modified Cash Basis.....	3
Statement of Support, Revenue, Expenses and Changes in Net Assets – Modified Cash Basis.....	4
Statement of Functional Expenses – Modified Cash Basis.....	5
Statement of Cash Flows – Modified Cash Basis.....	6
Notes to Financial Statements.....	7



Phillips, Salmi & Associates, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Midwest Food Bank, NFP (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets --modified cash basis as of December 31, 2014, and the related statements of support, revenue, and expenses and changes in net assets --modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's 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 assets, liabilities, and net assets – modified cash basis of Midwest Food Bank, NFP as of December 31, 2014 and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Phillips, Salmi & Associates, LLC*

Washington, Illinois  
July 22, 2015

MIDWEST FOOD BANK, NFP  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -  
MODIFIED CASH BASIS  
DECEMBER 31, 2014

ASSETS

Cash and cash equivalents	\$	1,448,567
Inventory		14,675,516
Land, buildings and equipment (net)		<u>8,055,035</u>
 TOTAL ASSETS	 \$	 <u><u>24,179,118</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$	988,464
Other liabilities		1,850
Notes payable		<u>662,084</u>
 TOTAL LIABILITIES		 <u>1,652,398</u>
 Net Assets		
Unrestricted		22,397,002
Temporarily restricted		<u>129,718</u>
 TOTAL NET ASSETS		 <u>22,526,720</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>24,179,118</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP  
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Contributions			
General public	\$ 3,547,162	\$ 151,500	\$ 3,698,662
Donated food and services	85,737,907	-	85,737,907
Special events revenue	424,789	-	424,789
Less: costs of direct benefits to donors	(119,510)	-	(119,510)
Net revenue from special events	<u>305,279</u>	<u>-</u>	<u>305,279</u>
Other income			
Interest	657	-	657
Rent	46,200	-	46,200
Other	(25,456)	-	(25,456)
Net assets released from restrictions	<u>41,782</u>	<u>(41,782)</u>	<u>-</u>
 Total Public Support and Revenue	 <u>89,653,531</u>	 <u>109,718</u>	 <u>89,763,249</u>
<b>EXPENSES</b>			
Program services	85,396,538	-	85,396,538
Management and general	600,663	-	600,663
Fundraising	<u>204,867</u>	<u>-</u>	<u>204,867</u>
 Total Expenses	 <u>86,202,068</u>	 <u>-</u>	 <u>86,202,068</u>
 CHANGE IN NET ASSETS	 3,451,463	 109,718	 3,561,181
 NET ASSETS - BEGINNING	 <u>18,945,539</u>	 <u>20,000</u>	 <u>18,965,539</u>
 NET ASSETS - ENDING	 <u><u>\$ 22,397,002</u></u>	 <u><u>\$ 129,718</u></u>	 <u><u>\$ 22,526,720</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 3,561,181
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	669,996
Loss on disposal of equipment	71,419
Increase in operating assets	
Inventory	<u>(3,572,223)</u>
Net cash provided by operating activities	<u>730,373</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Acquisitions of property and equipment	<u>(1,533,391)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
New borrowings	
Line of credit	1,088,464
Notes payable	200,000
Debt reduction	
Line of credit	(487,660)
Notes payable	<u>(312,004)</u>
Net cash provided by financing activities	<u>488,800</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(314,218)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,762,785</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,448,567</u></u>
<b>SUPPLEMENTAL DATA</b>	
Cash paid for interest	<u><u>\$ 33,540</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP  
STATEMENT OF FUNCTIONAL EXPENSES -  
MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising	Total Expense
Wages	\$ 348,624	\$ 305,358	\$ 99,211	\$ 753,193
Payroll taxes	28,001	24,291	7,861	60,153
 Total payroll costs	 376,625	 329,649	 107,072	 813,346
Donated food and supply expense	81,872,082	-	-	81,872,082
Contributed management salaries	22,500	90,000	37,500	150,000
Contributed professional truck driver services	155,834	-	-	155,834
Purchased food	533,017	-	-	533,017
Fuel	330,006	-	-	330,006
Professional fees	-	26,594	-	26,594
Supplies	320,351	38,092	-	358,443
Telephone	22,214	13,676	4,169	40,059
Postage and shipping	380,978	18,709	-	399,687
Occupancy	16,632	-	-	16,632
Equipment rent and maintenance	293,319	-	-	293,319
Interest	31,863	1,677	-	33,540
Insurance	88,607	4,664	-	93,271
Utilities	173,995	9,156	-	183,151
Advertising/promotional/events	-	-	37,652	37,652
Purchased services	82,866	4,362	-	87,228
Travel	38,514	-	-	38,514
Miscellaneous	20,639	30,584	18,474	69,697
 Total expenses before depreciation	 84,760,042	 567,163	 204,867	 85,532,072
Depreciation	636,496	33,500	-	669,996
 TOTAL EXPENSES	 <u>\$ 85,396,538</u>	 <u>\$ 600,663</u>	 <u>\$ 204,867</u>	 <u>\$ 86,202,068</u>

See accompanying notes.



MIDWEST FOOD BANK, NFP

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Reporting Entity

Midwest Food Bank, NFP (Organization) is a nonprofit organization, which bestows food and supplies to individuals and organizations in Illinois, Indiana, Florida and Georgia, as well as providing disaster relief across the United States for those areas impacted by natural disasters.

B) Basis of Accounting

The Organization's records are maintained and the financial statements are prepared on the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America, which require that revenues be recognized when earned and expenses be recognized when an obligation is incurred, regardless of when cash is received or disbursed.

C) Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These net assets classifications are described as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor. Restricted assets that satisfy the stipulation in the same year in which they are received are classified as unrestricted net assets.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that they be retained and invest permanently by the Organization. The Organization has no permanently restricted net assets.

MIDWEST FOOD BANK, NFP  
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Accounting Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates based on management’s knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

E) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in cash and cash equivalents.

F) 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. Depreciation expense for year ended December 31, 2014 totaled \$669,996. 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	15 years
Warehouse equipment	7 years
Trucks and trailers	5-7 years
Office furniture and equipment	5 years
Computer equipment and software	5 years

G) 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, 2014 were \$85,432,073.

Contributed services of professional truck drivers, accounting, and executive management 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 \$305,834 for the year ended December 31, 2014.

MIDWEST FOOD BANK, NFP  
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Over 12,427 people participated in the Organization's volunteer program during the year ended December 31, 2014. 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, 2014 were approximately 113,650.

H) Inventory

Inventory is stated as 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 pound or per pallet depending upon the specific food or supply item. The method is applied consistently. The per pallet valuation is reassessed annually utilizing the most relevant cost information available.

I) Income Taxes

Midwest Food Bank is a not-for-profit corporation and claims exemption from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of State tax codes. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization believes there are no significant uncertain tax positions resulting in liabilities that would have been required to be recorded for the year ended December 31, 2014.

The Organization conducts business solely in the U.S. and, as a result, files income tax informational returns for the U.S. and Illinois. 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, 2011 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.

J) Subsequent Events

Subsequent events are events or transactions that occur after the statement of assets, liabilities and net assets – modified cash basis date but before financial statements were issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of assets, liabilities, and net assets – modified cash basis, including the estimates inherent in the process of preparing financial

MIDWEST FOOD BANK, NFP  
 NOTES TO FINANCIAL STATEMENTS – Continued

statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of assets, liabilities, and net assets – modified cash basis but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through July 22, 2015, which was the date the financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.

K) Functionalization of Expenses

The costs of providing the various programs and supporting series are summarized on a functional basis in the statement of activities. Accordingly, specific expenses are charged directly to the related programs and general expenses are allocated to the various programs and supporting services based on employee time studies.

2) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of:

Land	\$ 826,095
Buildings and improvements	6,942,705
Warehouse equipment	628,685
Trucks and trailers	2,096,985
Freezers	702,232
Office and miscellaneous equipment	<u>176,076</u>
	11,372,778
Less accumulated depreciation	<u>3,317,743</u>
Property and equipment, net	<u><u>\$ 8,055,035</u></u>

3) DEBT

LINE OF CREDIT, \$1,000,000, interest due quarterly at 3.25%, secured by real property in McLean County, maturity date of October 8, 2019.

\$ 988,464

MIDWEST FOOD BANK, NFP  
 NOTES TO FINANCIAL STATEMENTS – Continued

NOTES PAYABLE

TERM NOTE \$600,000, interest at 2.75%, 59 monthly installments of \$5,736, including interest, with final payment due on October 26, 2017. Secured by real property in Tazewell County	\$ 477,714
TERM NOTE \$200,000, interest at 3.0%, monthly installments of \$3,598, including interest, with final payment due on July 15, 2019.	<u>184,370</u>
Total	<u><u>\$ 662,084</u></u>

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

2014	\$ 94,484
2015	97,039
2016	404,195
2017	41,732
2018	<u>24,634</u>
Total	<u><u>\$ 662,084</u></u>

4) RESTRICTIONS ON NET ASSETS

Donations totaling \$151,500 were received during 2014 restricted for food distribution, Tender Mercies program and the purchase of meat. At the end of the year remaining temporarily restricted net assets consisted of \$53,000 food distribution, \$27,415 Tender Mercies and \$49,303 for the meat program.

5) RELATED PARTY TRANSACTIONS

Midwest Food Bank may purchase goods or serviced from companies that are affiliated with or owned by Board members directly or indirectly. Generally, items and services are purchased using a competitive process. Insurance coverage was brokered through an agency owned by a Board member during the year ended December 31, 2014. The related commissions, if any, are immaterial to the financial statements.

6) LEASING ACTIVITIES

The Company leases a portion of their commercial buildings to third parties. The future minimum rental income is \$22,200 for the year ended December 31, 2016.