



MIDWEST FOOD BANK, NFP

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2021



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MIDWEST FOOD BANK, NFP
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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Midwest Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes 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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Midwest Food Bank, NFP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Midwest Food Bank, NFP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 an audit conducted in accordance with generally accepted 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, including omissions, 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.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Midwest Food Bank, NFP'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 Midwest Food Bank, NFP'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sikich LLP

East Peoria, Illinois

May 4, 2022

FINANCIAL STATEMENTS

MIDWEST FOOD BANK, NFP
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	10,921,122
Investments		3,880,575
Inventory		37,619,234
Contributions receivable		8,755
Other		177,960

Total current assets		52,607,646
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Cash restricted to purchase land, buildings and equipment		97,690
Contributions receivable, less current portion		43,795
Land, buildings and equipment, net		13,928,773

TOTAL ASSETS	\$	66,677,904
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current maturities of long-term debt	\$	203,604
Accounts payable		195,100
Accrued wages and payroll taxes		78,264

Total current liabilities		476,968
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Long-term debt, less current maturities		733,102
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Total liabilities		1,210,070
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NET ASSETS

Without donor restriction		64,853,401
With donor restriction		614,433

Total net assets		65,467,834
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TOTAL LIABILITIES AND NET ASSETS	\$	66,677,904
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See accompanying notes to the financial statements.

MIDWEST FOOD BANK, NFP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions and grants			
General public	\$ 11,682,802	\$ 1,572,527	\$ 13,255,329
Donated food, vehicles, equipment and services	434,772,122	-	434,772,122
Grants	1,394,027	-	1,394,027
Special events, net of costs of direct benefit to donors of \$309,792	566,661	-	566,661
Tender Mercies	55,947	-	55,947
Net investment gain	574,913	-	574,913
Other	153,845	-	153,845
Change in value of charitable lead trust	-	2,358	2,358
Net assets released from restrictions	4,248,928	(4,248,928)	-
	<hr/>		
Total revenue, support and gains	453,449,245	(2,674,043)	450,775,202
<hr/>			
EXPENSES			
Program services			
Food for Non-Profits	435,103,169	-	435,103,169
Tender Mercies	1,778,050	-	1,778,050
Hope Packs	807,431	-	807,431
Disaster Relief	4,060,291	-	4,060,291
	<hr/>		
Total program services	441,748,941	-	441,748,941
	<hr/>		
Management and general Fundraising	1,426,184	-	1,426,184
	934,987	-	934,987
	<hr/>		
Total expenses	444,110,112	-	444,110,112
	<hr/>		
CHANGE IN NET ASSETS	9,339,133	(2,674,043)	6,665,090
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NET ASSETS - BEGINNING	55,514,268	3,288,476	58,802,744
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NET ASSETS - ENDING	\$ 64,853,401	\$ 614,433	\$ 65,467,834
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See the accompanying notes to the financial statements.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Food for Non- Profits	Tender Mercies	Hope Packs	Disaster Relief	Total Program Services
Wages	\$ 1,548,352	\$ 69,823	\$ 41,774	\$ 41,946	\$ 1,701,895
Employee benefits	150,561	6,790	4,062	4,079	165,492
Payroll taxes	133,959	6,041	3,614	3,629	147,243
Donated food and supplies	426,117,937	8,084	310,380	3,477,600	429,914,001
Contributed professional truck driver services	202,541	-	-	6,264	208,805
Purchased food	1,071,493	1,492,369	101,762	303,254	2,968,878
Fuel	517,962	225	-	2,511	520,698
Professional fees	2,509	5,016	2,509	-	10,034
Supplies	549,670	38,406	159,872	54,317	802,265
Telephone and internet	76,822	2,315	3,404	2,553	85,094
Shipping	1,020,529	45,707	30,187	51,737	1,148,160
Occupancy	519,641	-	17,222	12,916	549,779
Repairs and maintenance	877,512	41,782	39,540	29,655	988,489
Interest	35,290	-	1,518	1,138	37,946
Insurance	249,033	-	10,711	8,033	267,777
Utilities	394,138	12,281	17,480	13,110	437,009
Newsletters and promotional	-	-	-	-	-
Purchased services	197,408	3,306	2,052	1,539	204,305
Travel	26,788	-	1,152	864	28,804
IT systems	78,936	-	3,395	2,547	84,878
Bank and credit card fees	-	-	-	-	-
Charitable contributions	19,080	-	-	-	19,080
Depreciation	1,213,650	45,905	54,174	40,631	1,354,360
In kind goods and services	38,381	-	-	-	38,381
Miscellaneous	60,977	-	2,623	1,968	65,568
Expenses before cost of sales	435,103,169	1,778,050	807,431	4,060,291	441,748,941
Cost of sales					
Cost of direct benefit to donors, primarily meals and supplies	-	-	-	-	-
	<u>\$ 435,103,169</u>	<u>\$ 1,778,050</u>	<u>\$ 807,431</u>	<u>\$ 4,060,291</u>	<u>\$ 441,748,941</u>

This statement is continued on the following page.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

Management and General	Fundraising	Cost of Sales	Total
\$ 871,266	\$ 508,104	\$ -	\$ 3,081,265
116,818	42,183	-	324,493
64,798	39,023	-	251,064
-	-	-	429,914,001
-	-	-	208,805
-	-	-	2,968,878
-	-	-	520,698
30,103	-	-	40,137
17,816	10,738	-	830,819
4,727	4,728	-	94,549
1,189	21,400	-	1,170,749
28,935	-	-	578,714
13,185	-	-	1,001,674
1,997	-	-	39,943
14,094	-	-	281,871
23,000	-	-	460,009
-	104,590	-	104,590
6,278	23,185	-	233,768
36,006	7,201	-	72,011
106,097	21,220	-	212,195
3,768	71,601	-	75,369
-	-	-	19,080
27,640	-	-	1,382,000
38,380	76,762	-	153,523
20,087	4,252	-	89,907
1,426,184	934,987	-	444,110,112
-	-	309,792	309,792
\$ 1,426,184	\$ 934,987	\$ 309,792	\$ 444,419,904

See the accompanying notes to the financial statements.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 6,665,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,382,000
Unrealized gain on investments	(441,488)
Non-cash donation of property and equipment	(41,119)
Loss on disposal of land, buildings and equipment	5,825
Change in value of charitable lead trust	(2,358)
(Increase) decrease in operating assets:	
Inventory	(4,382,501)
Contributions receivable	2,620,489
Other	(139,042)
Increase (decrease) in operating liabilities:	
Accounts payable	31,206
Accrued expenses	27,599
Net cash from operating activities	5,725,701
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of land, buildings and equipment	(1,327,267)
Proceeds from sale of land, buildings and equipment	18,500
Purchase of investments	(1,410,699)
Proceeds from sale of investments	261,908
Net cash from investing activities	(2,457,558)

This statement is continued on the following page.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM FINANCING ACTIVITIES	
Debt repayments:	
Line of credit	\$ (32,000)
Notes payable	(191,446)
Capital lease	<u>(32,059)</u>
Net cash from financing activities	<u>(255,505)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	 3,012,638
 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH BEGINNING OF YEAR	 <u>8,006,174</u>
 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH END OF YEAR	 <u><u>\$ 11,018,812</u></u>
 AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION:	
Cash and cash equivalents	\$ 10,921,122
Cash restricted to purchase land, buildings and equipment	<u>97,690</u>
	<u><u>\$ 11,018,812</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 39,943</u></u>
 SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:	
Non-cash donations of property, equipment and capitalized services	<u><u>\$ 41,119</u></u>

See accompanying notes to the financial statements.

MIDWEST FOOD BANK, NFP

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

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 nearly 2,100 non-profit organizations each month. This is done from twelve locations in Illinois, Arizona, Florida, Georgia, Indiana, Texas, Pennsylvania, East Africa and Haiti with the addition of New England in 2021. 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.

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 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.

Hope Packs – Midwest Food Bank distributes child-friendly food items to dedicated school volunteers. The volunteers package it together in a bag to give to the students on Fridays to help them through the weekend. Hope Packs ensures children don't go an entire weekend without access to food.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Use of Estimates (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

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, 2021.

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 investment 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 financial position. Net investment gain (loss) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment 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.

Contribution Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses 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. Management has determined all are collectible; therefore, no provision for uncollectible accounts has been made.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

Property 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 \$5,000 or less are charged to expense when incurred. Depreciation expense for the year ended December 31, 2021 totaled \$1,382,000. Depreciation is computed on the straight-line basis of depreciation over the estimated useful lives of the assets as follows:

Buildings and improvements	15-40 years
Warehouse equipment	7 years
Trucks and trailers	7 years
Office and miscellaneous equipment	5 years

The Organization reports gifts of property and equipment as support without donor restriction 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.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

The Organization received donations of food 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.

Revenue from Contracts with Customers

Special Events Revenue: The portion of special events revenue that relates to commensurate value the attendee receives in return, is recognized when the related events are held and performance obligations are met.

Significant Judgments: There are no significant judgments involved in the recognition of revenue at a point in time based on the delivery of services.

Contract Assets and Liabilities: The timing of revenue recognition, billing and cash collections results in billed accounts receivable (contract assets) and deferred revenue (contract liabilities) on the statement of financial position. There were no contracts assets or liabilities as of December 31, 2021.

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 Organization's 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, 2021 were \$434,396,692.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gifts-in-kind (continued)

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, 2021 were \$41,119. 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, 2021 there were no contributions of non-financial assets to be sold. The Organization received in-kind rent for warehouse use totaling \$125,506.

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. There were no donations-in-kind of skilled labor recognized in the financial statements for the year ended December 31, 2021.

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 \$208,805 for the year ended December 31, 2021.

Over 25,000 people (unaudited) participated in the Organization's volunteer program during the year ended December 31, 2021. 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, 2021 were approximately 318,000 (unaudited).

Advertising

Advertising costs, which primarily consist of direct mail appeals and related postage, are expensed as incurred and were \$104,590 during the year ended December 31, 2021.

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 a private foundation.

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. Wages, employee benefits, and payroll taxes have been allocated based on employee time studies. Donated food and supplies, contributed professional truck driver services, purchased food, fuel, and shipping are reported by function based on direct identification. Supplies are allocated based on both direct identification and allocation based on management's estimate of usage. All other expenses are allocated among the program and supporting services based on management's estimate of usage.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 was \$3,406,000. 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 2021, the largest food and supplies donor accounted for approximately 16% of the food and supplies donations received by the Organization.

Upcoming Accounting Pronouncements

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization for the year ended December 31, 2022.

In September of 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for the year ended December 31, 2022.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, nonrecognized subsequent events).

The organization has evaluated subsequent events through May 4, 2022, the date on which the financial statements were available to be issued.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 Organization's 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	\$ 10,921,122
Investments	3,880,575
Contributions receivable	<u>8,755</u>
 Total current financial assets	 14,810,452
 Less those unavailable for general expenditures within one year:	
Net assets with donor restriction (short-term)	<u>(472,948)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u><u>\$ 14,337,504</u></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.

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 consist of 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 value of the trust is based on the Organization's portion of the market value of investments held by the trust, discounted at a rate of 4%. The Organization received \$8,755 from the trust in 2021, 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.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of:

Charitable lead trust	\$ 52,550
Less collectible in less than one year	<u>(8,755)</u>
	<u>\$ 43,795</u>

6. LAND, BUILDINGS AND EQUIPMENT

Land	\$ 973,613
Buildings and improvements	13,178,857
Warehouse equipment	3,437,621
Trucks and trailers	5,024,732
Office and miscellaneous equipment	351,113
Construction in process	<u>236,423</u>
	23,202,359
Less accumulated depreciation	<u>9,273,586</u>
Land, buildings and equipment, net	<u>\$ 13,928,773</u>

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM DEBT

NOTES PAYABLE

TERM NOTE \$1,486,870, interest at 3.00%, 19

quarterly installments of \$29,432, including interest,
with a final balloon payment due on December 8, 2025.

Secured by real property in Maricopa County, Arizona. \$ 888,347

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.

48,359

936,706

Less current maturities (203,604)

Long-term debt, net of current maturities \$ 733,102

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

	Total	Notes payable	Capital lease
2022	\$ 203,604	\$ 155,245	\$ 48,359
2023	96,519	96,519	-
2024	99,434	99,434	-
2025	537,149	537,149	-
	<hr/>		
Total	\$ 936,706	\$ 888,347	\$ 48,359

The Company also has a line of credit with Morton Community Bank. The line of credit is for \$1,530,000, is secured by real property in McLean County, bears interest at 3.00 percent, and matures November 23, 2025. At December 31, 2021, there is no outstanding balance on this line of credit.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specific purpose:

Operations:

Tender Mercies	\$ 58,468
Other	107,605
Disaster Relief	112,088
Meat program	22,885
Hope Packs	142,055
Give thanks	21,092

Land, buildings and equipment:

Truck and trailer purchases	47,440
Construction	50,250

561,883

Subject to passage of time:

Charitable lead trust	52,550
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\$ 614,433

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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, 2021:

Satisfaction of purpose restrictions	
Operations:	
Tender Mercies	\$ 285,903
NYC	67,194
Other	181,713
Disaster Relief	409,667
Meat program	53,761
Hope Packs	274,200
Give thanks	33,106
Emergency box project	86,260
Location expansion	78,838
Debt pay down	137,544
Land, buildings and equipment:	
Truck and trailer purchases	110,968
Facility expansion	768,229
Forklift	48,230
Expiration of time restriction	1,713,315
	<hr/>
	\$ 4,248,928
	<hr/> <hr/>

9. 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.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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.

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

Investments (mutual funds, exchange traded funds, and stocks): where quoted prices are available in an active market, securities are classified within level I 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.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Fair values of assets measured on a recurring basis as of December 31, 2021 are as follows:

	Total	Level 1	Level 2	Level 3
Investments:				
Mutual funds	\$ 3,020,210	\$ 3,020,210	\$ -	\$ -
Exchange traded funds	849,711	849,711	-	-
Stocks	10,654	10,654	-	-
	<u>\$ 3,880,575</u>	<u>\$ 3,880,575</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interest in charitable lead trust	\$ 52,550	\$ -	\$52,550	\$ -

10. 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 was \$36,004 for the year ended December 31, 2021.

11. LEASING ACTIVITIES

The Organization leases office and warehouse facilities in Indiana, Florida, New England, Pennsylvania, and Arizona, under operating leases. Rent expense on these facilities for the year ended December 31, 2021 was \$578,714.

Remaining minimum lease commitments are as follows:

2022	\$ 398,216
2023	294,368
2024	165,024
	<u>\$ 857,608</u>