<table>
<thead>
<tr>
<th>Section</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1-2</td>
</tr>
<tr>
<td>FINANCIAL STATEMENTS</td>
<td></td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
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<td>Statement of Functional Expenses</td>
<td>5-6</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>7-8</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>9-25</td>
</tr>
</tbody>
</table>
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, 2022, 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, 2022, 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.

Emphasis of Matter

As further discussed in Note 2 to the financial statements, Midwest Food Bank adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 842 Leases, effective January 1, 2022. Topic 842 requires most prominently, the recognition of right-of-use (ROU) assets and liabilities on the statement of financial position, as well as related disclosures. Our opinion is not modified with respect to this matter.

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 11, 2023
FINANCIAL STATEMENTS
# MIDWEST FOOD BANK, NFP
## STATEMENT OF FINANCIAL POSITION
### DECEMBER 31, 2022

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$11,843,068</td>
</tr>
<tr>
<td>Investments</td>
<td>3,230,256</td>
</tr>
<tr>
<td>Inventory</td>
<td>40,185,255</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>418,416</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>8,755</td>
</tr>
<tr>
<td>Bequest receivable</td>
<td>480,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>81,178</td>
</tr>
</tbody>
</table>

Total current assets $56,246,928

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash restricted to purchase land, buildings and equipment</td>
<td>215,000</td>
</tr>
<tr>
<td>Contributions receivable, less current portion</td>
<td>37,142</td>
</tr>
<tr>
<td>Land, buildings and equipment, net</td>
<td>14,624,693</td>
</tr>
<tr>
<td>Other assets</td>
<td>79,212</td>
</tr>
<tr>
<td>Operating lease right of use assets</td>
<td>4,518,566</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS** $75,721,541

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td>$96,519</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>275,858</td>
</tr>
<tr>
<td>Current maturities of operating leases</td>
<td>827,470</td>
</tr>
<tr>
<td>Accrued wages and payroll taxes</td>
<td>79,232</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,781,808</td>
</tr>
</tbody>
</table>

Total current liabilities $3,060,887

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt, less current maturities</td>
<td>641,765</td>
</tr>
<tr>
<td>Long-term lease liabilities, net of current maturities</td>
<td>3,691,096</td>
</tr>
</tbody>
</table>

**Total liabilities** $7,393,748

<table>
<thead>
<tr>
<th>NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Without donor restriction</td>
<td>66,901,919</td>
</tr>
<tr>
<td>With donor restriction</td>
<td>1,425,874</td>
</tr>
</tbody>
</table>

**Total net assets** $68,327,793

**TOTAL LIABILITIES AND NET ASSETS** $75,721,541

See accompanying notes to the financial statements.
# MIDWEST FOOD BANK, NFP
## STATEMENT OF ACTIVITIES
### YEAR ENDED DECEMBER 31, 2022

## REVENUE, SUPPORT, AND GAINS

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General public</td>
<td>$ 9,083,465</td>
<td>$ 4,005,616</td>
</tr>
<tr>
<td>Donated food, vehicles, equipment and services</td>
<td>417,359,933</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>3,208,465</td>
<td>-</td>
</tr>
<tr>
<td>Special events, net of costs of direct benefit to donors of $375,722</td>
<td>985,830</td>
<td>-</td>
</tr>
<tr>
<td>Tender Mercies</td>
<td>128,643</td>
<td>-</td>
</tr>
<tr>
<td>Net investment loss</td>
<td>(612,414)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>267,255</td>
<td>-</td>
</tr>
<tr>
<td>Change in value of charitable lead trust</td>
<td>-</td>
<td>2,102</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>3,196,277</td>
<td>(3,196,277)</td>
</tr>
<tr>
<td>Total revenue, support and gains</td>
<td>433,617,454</td>
<td>811,441</td>
</tr>
</tbody>
</table>

## EXPENSES

<table>
<thead>
<tr>
<th>Program services</th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food for Non-Profits</td>
<td>420,540,662</td>
<td>-</td>
<td>420,540,662</td>
</tr>
<tr>
<td>Tender Mercies</td>
<td>1,984,449</td>
<td>-</td>
<td>1,984,449</td>
</tr>
<tr>
<td>Hope Packs</td>
<td>972,845</td>
<td>-</td>
<td>972,845</td>
</tr>
<tr>
<td>Disaster Relief</td>
<td>5,178,992</td>
<td>-</td>
<td>5,178,992</td>
</tr>
<tr>
<td>Total program services</td>
<td>428,676,948</td>
<td>-</td>
<td>428,676,948</td>
</tr>
<tr>
<td>Management and general</td>
<td>1,640,518</td>
<td>-</td>
<td>1,640,518</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,251,470</td>
<td>-</td>
<td>1,251,470</td>
</tr>
<tr>
<td>Total expenses</td>
<td>431,568,936</td>
<td>-</td>
<td>431,568,936</td>
</tr>
</tbody>
</table>

## CHANGE IN NET ASSETS

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,048,518</td>
<td>811,441</td>
<td>2,859,959</td>
</tr>
</tbody>
</table>

## NET ASSETS - BEGINNING

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,853,401</td>
<td>614,433</td>
<td>65,467,834</td>
</tr>
</tbody>
</table>

## NET ASSETS - ENDING

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 66,901,919</td>
<td>$ 1,425,874</td>
<td>$ 68,327,793</td>
</tr>
</tbody>
</table>

See the accompanying notes to the financial statements.
## MIDWEST FOOD BANK, NFP

### STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED DECEMBER 31, 2022**

<table>
<thead>
<tr>
<th></th>
<th>Food for Non-Profits</th>
<th>Tender Mercies</th>
<th>Hope Packs</th>
<th>Disaster Relief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>$1,671,956</td>
<td>$83,014</td>
<td>$85,723</td>
<td>$136,014</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>213,194</td>
<td>10,585</td>
<td>10,931</td>
<td>17,343</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>137,576</td>
<td>6,831</td>
<td>7,054</td>
<td>11,192</td>
</tr>
<tr>
<td>Donated food and supplies</td>
<td>409,401,905</td>
<td>-</td>
<td>333,240</td>
<td>4,563,300</td>
</tr>
<tr>
<td>Contributed professional truck driver services</td>
<td>286,333</td>
<td>7,426</td>
<td>-</td>
<td>12,240</td>
</tr>
<tr>
<td>Purchased food</td>
<td>1,510,697</td>
<td>1,483,187</td>
<td>372,923</td>
<td>209,867</td>
</tr>
<tr>
<td>Fuel</td>
<td>556,359</td>
<td>10,918</td>
<td>-</td>
<td>23,637</td>
</tr>
<tr>
<td>Professional fees</td>
<td>8,877</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supplies</td>
<td>576,188</td>
<td>224,285</td>
<td>8,565</td>
<td>19,403</td>
</tr>
<tr>
<td>Telephone and internet</td>
<td>77,839</td>
<td>2,922</td>
<td>3,511</td>
<td>3,511</td>
</tr>
<tr>
<td>Shipping</td>
<td>1,737,590</td>
<td>59,948</td>
<td>8,662</td>
<td>40,249</td>
</tr>
<tr>
<td>Occupancy</td>
<td>914,804</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>761,490</td>
<td>24,877</td>
<td>34,190</td>
<td>34,190</td>
</tr>
<tr>
<td>Interest</td>
<td>23,843</td>
<td>-</td>
<td>1,037</td>
<td>1,037</td>
</tr>
<tr>
<td>Insurance</td>
<td>260,939</td>
<td>9,840</td>
<td>11,773</td>
<td>11,773</td>
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<tr>
<td>Utilities</td>
<td>570,713</td>
<td>13,778</td>
<td>25,413</td>
<td>25,413</td>
</tr>
<tr>
<td>Newsletters and promotional</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Purchased services</td>
<td>113,209</td>
<td>3,402</td>
<td>1,363</td>
<td>1,363</td>
</tr>
<tr>
<td>Travel</td>
<td>42,248</td>
<td>-</td>
<td>1,837</td>
<td>1,837</td>
</tr>
<tr>
<td>IT systems</td>
<td>127,869</td>
<td>-</td>
<td>5,560</td>
<td>5,560</td>
</tr>
<tr>
<td>Bank and credit card fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charitable contributions</td>
<td>115,686</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,272,997</td>
<td>42,553</td>
<td>57,198</td>
<td>57,198</td>
</tr>
<tr>
<td>In kind goods and services</td>
<td>70,312</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>88,038</td>
<td>883</td>
<td>3,865</td>
<td>3,865</td>
</tr>
</tbody>
</table>

Expenses before cost of sales: $420,540,662 $1,984,449 $972,845 $5,178,992

Cost of sales

Cost of direct benefit to donors, primarily meals and supplies: - - - -

Total Expenses: $420,540,662 $1,984,449 $972,845 $5,178,992

See the accompanying notes to the financial statements.
MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

<table>
<thead>
<tr>
<th>Total Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Cost of Sales</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,976,707</td>
<td>$ 1,038,015</td>
<td>$ 595,837</td>
<td>-</td>
<td>$ 3,610,559</td>
</tr>
<tr>
<td>252,053</td>
<td>132,520</td>
<td>75,102</td>
<td>-</td>
<td>459,675</td>
</tr>
<tr>
<td>162,653</td>
<td>75,467</td>
<td>44,407</td>
<td>-</td>
<td>282,527</td>
</tr>
<tr>
<td>414,298,445</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>414,298,445</td>
</tr>
<tr>
<td>305,999</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>305,999</td>
</tr>
<tr>
<td>3,576,674</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,576,674</td>
</tr>
<tr>
<td>590,914</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>590,914</td>
</tr>
<tr>
<td>8,877</td>
<td>26,631</td>
<td>-</td>
<td>-</td>
<td>35,508</td>
</tr>
<tr>
<td>828,441</td>
<td>16,705</td>
<td>10,603</td>
<td>-</td>
<td>855,749</td>
</tr>
<tr>
<td>87,783</td>
<td>4,877</td>
<td>4,877</td>
<td>-</td>
<td>97,537</td>
</tr>
<tr>
<td>1,846,449</td>
<td>1,561</td>
<td>28,105</td>
<td>-</td>
<td>1,876,115</td>
</tr>
<tr>
<td>914,804</td>
<td>18,669</td>
<td>-</td>
<td>-</td>
<td>933,473</td>
</tr>
<tr>
<td>854,747</td>
<td>9,969</td>
<td>-</td>
<td>-</td>
<td>864,716</td>
</tr>
<tr>
<td>25,917</td>
<td>529</td>
<td>-</td>
<td>-</td>
<td>26,446</td>
</tr>
<tr>
<td>294,325</td>
<td>15,491</td>
<td>-</td>
<td>-</td>
<td>309,816</td>
</tr>
<tr>
<td>635,317</td>
<td>33,438</td>
<td>-</td>
<td>-</td>
<td>668,755</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>151,841</td>
<td>-</td>
<td>151,841</td>
</tr>
<tr>
<td>119,337</td>
<td>3,720</td>
<td>3,250</td>
<td>-</td>
<td>126,307</td>
</tr>
<tr>
<td>45,922</td>
<td>22,961</td>
<td>7,654</td>
<td>-</td>
<td>76,537</td>
</tr>
<tr>
<td>138,989</td>
<td>111,191</td>
<td>27,798</td>
<td>-</td>
<td>277,978</td>
</tr>
<tr>
<td>-</td>
<td>4,528</td>
<td>86,031</td>
<td>-</td>
<td>90,559</td>
</tr>
<tr>
<td>115,686</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>115,686</td>
</tr>
<tr>
<td>1,429,946</td>
<td>29,182</td>
<td>-</td>
<td>-</td>
<td>1,459,128</td>
</tr>
<tr>
<td>70,312</td>
<td>70,312</td>
<td>210,938</td>
<td>-</td>
<td>351,562</td>
</tr>
<tr>
<td>96,651</td>
<td>24,752</td>
<td>5,027</td>
<td>-</td>
<td>126,430</td>
</tr>
<tr>
<td>428,676,948</td>
<td>1,640,518</td>
<td>1,251,470</td>
<td>-</td>
<td>431,568,936</td>
</tr>
</tbody>
</table>

- 375,722 - 375,722

$ 428,676,948 $ 1,640,518 $ 1,251,470 $ 375,722 $ 431,944,658

See the accompanying notes to the financial statements.
CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets $2,859,959

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation and amortization 1,459,128
Unrealized loss on investments 812,635
Non-cash donation of property and equipment (25,151)
Gain on disposal of land, buildings and equipment (181,147)
Change in value of charitable lead trust (2,102)

(Increase) decrease in operating assets:

Inventory (2,566,021)
Grants receivable (418,416)
Contributions receivable 8,755
Bequests receivable (480,000)
Prepaid expenses 96,782
Other assets (79,212)

Increase (decrease) in operating liabilities:

Accounts payable 80,758
Accrued expenses 968
Deferred revenue 1,781,808

Net cash from operating activities 3,348,744

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of land, buildings and equipment (2,212,379)
Proceeds from sale of land, buildings and equipment 263,629
Purchase of investments (179,309)
Proceeds from sale of investments 16,993

Net cash from investing activities $ (2,111,066)

This statement is continued on the following page.
CASH FLOWS FROM FINANCING ACTIVITIES

Debt repayments:
  Notes payable             $ (150,063)
  Finance lease            (48,359)

Net cash from financing activities (198,422)

CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

1,039,256

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

BEGINNING OF YEAR

11,018,812

CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

END OF YEAR

$ 12,058,068

AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION:

Cash and cash equivalents

$ 11,843,068

Cash restricted to purchase land, buildings and equipment

215,000

$ 12,058,068

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest

$ 26,446

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES:

Non-cash donations of property, equipment and capitalized services

$ 25,151

See accompanying notes to the 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 2,200 non-profit organizations each month. This is done from twelve locations in Illinois, Arizona, Florida, Georgia, Indiana, Texas, Pennsylvania, East Africa, Haiti, and New England. 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).
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, 2022.

**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.

**Grants Receivable**

Grants receivable are amounts due from granting agencies for the portion of grant monies earned but not yet received by the Organization. Management determines the allowance for doubtful accounts by regularly evaluating individual grants receivable. Grants receivable are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. As of December 31, 2022, all grants receivable were considered collectible and no allowance was recorded.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bequest Receivables**

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.

**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, 2022 totaled $1,459,128. 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**: 5-7 years
- **Trucks and trailers**: 7 years
- **Office and miscellaneous equipment**: 5-7 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.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

A portion of the Organization’s revenue is derived from federal, state and other grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are conditional and not recognized as revenue until the Organization has incurred qualifying expenditures in compliance with the grant provisions. Conditional grants received but not earned during the year ended December 31, 2022 are reported as deferred revenue on the statement of financial position. There was $1,781,808 of deferred revenue at December 31, 2022.

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, 2022 and January 1, 2022.

Advertising

Advertising costs, which primarily consist of direct mail appeals and related postage, are expensed as incurred and were $151,841 during the year ended December 31, 2022.

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.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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, 2022 was $412,000. 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 2022, the largest food and supplies donor accounted for approximately 10% of the food and supplies donations received by the Organization.
2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2020-07 on Topic 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as issued by the Financial Accounting Standards Board (FASB). This standard requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gift-in-kind. The standard is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The adoption of this new accounting pronouncement did not have a material impact on the financial statements.

Recently Adopted Accounting Guidance – Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption), with certain practical expedients available.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, a lease liability at the carrying amount of the capital lease obligations on December 31, 2021, of $48,359 and a right-of-use asset at the carrying amount of the capital lease asset of $73,490. This lease was paid off during 2022. The Organization also recognized on January 1, 2022, a lease liability of $2,437,365, which represents the present value of the remaining operating lease payments of $2,741,362, discounted using the incremental borrowing rate of 3%.

The standard had a material impact on the statement of financial position, but did not have an impact on the income statement, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

The Organization leases real estate and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current maturities of operating leases, and long-term lease liabilities on the statement of financial position. The Organization does not have any finance leases as of December 31, 2022.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, such as real estate, the Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption to one of the classes of underlying assets: warehouse, office, and miscellaneous equipment. In 2022, there are only a small number of leases within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2022 is $131,576.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the incremental borrowing rate, which is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by Organization assets. Determining a credit spread as secured by Organization assets may require significant judgement.
2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 11, 2023, the date on which the financial statements were available to be issued.

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 statement of financial position date, comprise the following:

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$11,843,068</td>
</tr>
<tr>
<td>Investments</td>
<td>3,230,256</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>8,755</td>
</tr>
<tr>
<td>Bequest receivable</td>
<td>480,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>418,416</td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>15,980,495</strong></td>
</tr>
</tbody>
</table>

Less those unavailable for general expenditures within one year:

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets with donor restriction (short-term)</td>
<td>(1,173,732)</td>
</tr>
</tbody>
</table>

Financial assets available to meet cash needs for general expenditures within one year:

<table>
<thead>
<tr>
<th>Financial Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets available to meet cash needs for general expenditures within one year</strong></td>
<td><strong>$14,806,763</strong></td>
</tr>
</tbody>
</table>

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 2022, 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.

Contributions receivable consist of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable lead trust</td>
<td>$ 45,897</td>
</tr>
<tr>
<td>Less collectible in less than one year</td>
<td>(8,755)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 37,142</strong></td>
</tr>
</tbody>
</table>

5. **BEQUEST RECEIVABLE**

Midwest Food Bank has been named as a 10 percent beneficiary in an estate. The value of the bequest receivable is based upon the Organization’s percentage of the estimated estate assets to be distributed upon the liquidation of the estate. The bequest receivable was valued at $480,000 at December 31, 2022. The bequest is expected to be received within the next year.

6. **LAND, BUILDINGS AND EQUIPMENT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 939,213</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>13,911,448</td>
</tr>
<tr>
<td>Warehouse equipment</td>
<td>3,792,860</td>
</tr>
<tr>
<td>Trucks and trailers</td>
<td>6,081,558</td>
</tr>
<tr>
<td>Office and miscellaneous equipment</td>
<td>329,660</td>
</tr>
<tr>
<td>Construction in process</td>
<td>11,895</td>
</tr>
<tr>
<td><strong>Land, buildings and equipment</strong></td>
<td><strong>25,066,634</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less accumulated depreciation</td>
<td>10,441,941</td>
</tr>
<tr>
<td><strong>Land, buildings and equipment, net</strong></td>
<td><strong>$ 14,624,693</strong></td>
</tr>
</tbody>
</table>
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. $ 738,284

<table>
<thead>
<tr>
<th>Less current maturities</th>
<th>(96,519)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term debt, net of current maturities</td>
<td>$ 641,765</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$ 96,519</td>
</tr>
<tr>
<td>2024</td>
<td>99,434</td>
</tr>
<tr>
<td>2025</td>
<td>542,331</td>
</tr>
<tr>
<td>Total</td>
<td>$ 738,284</td>
</tr>
</tbody>
</table>

The Organization 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, 2022, there is no outstanding balance on this line of credit.
8. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specific purpose:

Operations:
- Tender Mercies $124,992
- Other 14,178
- Disaster Relief 407,957
- Meat program 13,502
- Hope Packs 35,341
- Give thanks 49,982
- Emergency box project 39,025

Land, buildings and equipment:
- Truck and trailer purchases 35,000
- Other 180,000

Net assets subject to expenditure for specific purpose 899,977

Subject to passage of time:
- Bequest receivable 480,000
- Charitable lead trust 45,897

Net assets subject to passage of time 525,897

Total $1,425,874
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, 2022:

Satisfaction of purpose restrictions

Operations:

- Tender Mercies $ 696,892
- NYC 78,498
- Other 895,589
- Disaster Relief 466,660
- Meat program 51,499
- Hope Packs 422,283
- Give thanks 47,057
- Emergency box project 101,123
- Debt pay down 39,403

Land, buildings and equipment:

- Truck and trailer purchases 338,268
- Construction 50,250
- Expiration of time restriction 8,755

Total $ 3,196,277

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.

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.
9. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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 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, 2022 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>$ 718,219</td>
<td>$ 718,219</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Exchange traded funds</td>
<td>2,512,037</td>
<td>2,512,037</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,230,256</td>
<td>$ 3,230,256</td>
<td>$ -</td>
<td>$ -</td>
</tr>
</tbody>
</table>

| Beneficial interest in charitable lead trust | $ 45,897 | $ - | $ 45,897 | $ - |

- 21 -
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 $24,039 for the year ended December 31, 2022.

11. LEASES

The Organization has operating leases for real estate and equipment. The Organization does not have any finance leases at December 31, 2022. The Organization had one finance lease as of January 1, 2022, that was paid off during the year. Leases have remaining legally enforceable lease terms from August 2024 to September 2027, some of which may include options to extend the leases for up to 6 years.

The components of lease expense were as follows:

**Year Ended December 31, 2022**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease cost</td>
<td>$683,831</td>
</tr>
<tr>
<td>Short-term lease cost</td>
<td>$131,576</td>
</tr>
<tr>
<td>Finance lease cost</td>
<td></td>
</tr>
<tr>
<td>Amortization of right-of-use assets</td>
<td>$48,359</td>
</tr>
<tr>
<td>Interest on lease liabilities</td>
<td>$2,381</td>
</tr>
<tr>
<td><strong>Total finance lease cost</strong></td>
<td><strong>$50,740</strong></td>
</tr>
</tbody>
</table>
11. LEASES (CONTINUED)

Other information released to leases was as follows:

**Year Ended December 31, 2022**

Cash paid for amounts included in the measurement of lease liabilities:

- Operating cash flows from operating leases $ 683,831
- Operating cash flows from finance leases $ 2,381
- Financing cash flows from finance leases $ 48,359

Right-of-use assets obtained in exchange for lease obligation:

- Operating leases $ 2,787,853

Weighted average remaining lease term (in years):

- Operating leases 6.7 years

Weighted average discount rate:

- Operating leases 4.69%
11. LEASES (CONTINUED)

Future minimum lease payments under non-cancellable leases as of December 31, 2022, were as follows:

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th>Operating Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
<td>$1,008,466</td>
</tr>
<tr>
<td>2024</td>
<td>1,040,163</td>
</tr>
<tr>
<td>2025</td>
<td>839,641</td>
</tr>
<tr>
<td>2026</td>
<td>779,030</td>
</tr>
<tr>
<td>2027</td>
<td>610,315</td>
</tr>
<tr>
<td>Thereafter</td>
<td>797,616</td>
</tr>
<tr>
<td>Total future undiscounted lease payments</td>
<td>5,075,231</td>
</tr>
<tr>
<td>Less: imputed interest</td>
<td>(556,665)</td>
</tr>
</tbody>
</table>

Present value of lease liabilities $4,518,566

Reported as of December 31, 2022

| Current maturities of operating leases | $827,470 |
| Long-term lease liabilities, net of current maturities | 3,691,096 |

Total $4,518,566

12. GIFTS IN KIND

The Organization received the following contributions of nonfinancial assets for the year ending December 31, 2022:

| Donated food and supplies | $417,028,783 |
| Donated driving services  | 305,999      |
| Donated equipment         | 25,151       |

Total contributed nonfinancial assets $417,359,933
12. GIFTS IN KIND (CONTINUED)

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. Estimated fair value of the services is the amount the Organization would pay for professional truck driving services. Contributed services of professional truck drivers were received without donor restriction and reported as contributed professional truck driver services on the statement of functional expenses.

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, 2022.

Contributed vehicles and equipment received by the Organization and used in the Organization’s program services are recorded as income along with a corresponding charge to equipment. Contributed vehicles and equipment are valued at the fair market value for similar items. Contributed vehicles and equipment were received without donor restriction. 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, 2022 there were no contributions of non-financial assets to be sold.

The Organization receives contributions of donated goods. 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. The donated goods were used in the Organization’s program services. Contributed food and supplies received by the Organization are recorded as income along with a corresponding charge to expense or inventory.

Approximately 30,000 people (unaudited) participated in the Organization's volunteer program during the year ended December 31, 2022. 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, 2022 were approximately 350,000 (unaudited).

13. RETIREMENT PLAN

The Organization adopted a 401(k) profit sharing plan that covers all employees. The Plan provides for discretionary matching contributions by the Organization. The Organization’s contributions to the Plan for the year ended December 31, 2022 totaled $12,769.