



Phillips, Salmi & Associates, LLC
Certified Public Accountants

MIDWEST FOOD BANK, NFP
Bloomington, Illinois

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

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



Phillips, Salmi & Associates, LLC
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Midwest Food Bank, NFP (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets --modified cash basis as of December 31, 2013, and the related statements of support, revenue, and expenses and changes in net assets --modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – modified cash basis of Midwest Food Bank, NFP as of December 31, 2013 and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Phillips, Salmi & Associates, LLC

Washington, Illinois
July 16, 2014

MIDWEST FOOD BANK, NFP
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2013

ASSETS

Cash and cash equivalents	\$	1,762,785
Inventory		11,103,293
Land, buildings and equipment (net)		<u>7,263,060</u>
 TOTAL ASSETS	 \$	 <u><u>20,129,138</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Line of credit	\$	387,660
Other liabilities		1,850
Notes payable		<u>774,089</u>
 TOTAL LIABILITIES		 <u>1,163,599</u>
 Net Assets		
Unrestricted		18,945,539
Temporarily restricted		<u>20,000</u>
 TOTAL NET ASSETS		 <u>18,965,539</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>20,129,138</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
PUBLIC SUPPORT AND REVENUE			
Contributions			
General public	\$ 3,086,907	\$ 20,000	\$ 3,106,907
Donated food and services	59,919,194	-	59,919,194
Special events revenue	455,986	-	455,986
Less: costs of direct benefits to donors	(115,481)	-	(115,481)
Net revenue from special events	<u>340,505</u>	<u>-</u>	<u>340,505</u>
Other income			
Interest	377	-	377
Rent	40,650	-	40,650
Other	88,465	-	88,465
Net assets released from restrictions	<u>145,000</u>	<u>(145,000)</u>	<u>-</u>
Total Public Support and Revenue	<u>63,621,098</u>	<u>(125,000)</u>	<u>63,496,098</u>
EXPENSES			
Program services	57,564,890	-	57,564,890
Management and general	405,146	-	405,146
Fundraising	<u>119,111</u>	<u>-</u>	<u>119,111</u>
Total Expenses	<u>58,089,147</u>	<u>-</u>	<u>58,089,147</u>
CHANGE IN NET ASSETS	5,531,951	(125,000)	5,406,951
NET ASSETS - BEGINNING	<u>13,413,588</u>	<u>145,000</u>	<u>13,558,588</u>
NET ASSETS - ENDING	<u>\$ 18,945,539</u>	<u>\$ 20,000</u>	<u>\$ 18,965,539</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 5,406,951
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	606,973
Non-cash donation of equipment	(249,179)
Loss on disposal of equipment	838
Increase in operating assets	
Inventory	(4,795,350)
Decrease in operating liabilities	
Other liabilities	<u>(14,849)</u>
Net cash provided by operating activities	<u>955,384</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisitions of property and equipment	<u>(569,503)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
New borrowings	
Line of credit	15,676
Notes payable	15,651
Debt reduction	
Line of credit	(15,676)
Notes payable	<u>(113,893)</u>
Net cash used by financing activities	<u>(98,242)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	287,639
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,475,146</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,762,785</u></u>
SUPPLEMENTAL DATA	
Cash paid for interest	<u><u>\$ 41,007</u></u>

See accompanying notes.

MIDWEST FOOD BANK, NFP
STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013

	Program Services	Management and General	Fundraising	Total Expense
Wages	\$ 432,690	\$ 153,095	\$ 32,344	\$ 618,129
Payroll taxes	34,455	12,163	2,604	49,222
 Total payroll costs	 467,145	 165,258	 34,948	 667,351
Donated food and supply expense	54,719,164	-	-	54,719,164
Contributed management salaries	12,500	102,500	35,000	150,000
Contributed professional truck driver services	124,409	-	-	124,409
Purchased food	618,377	-	-	618,377
Fuel	260,335	-	-	260,335
Professional fees	-	21,582	-	21,582
Supplies	38,866	27,908	-	66,774
Telephone	20,763	6,437	1,781	28,981
Postage and shipping	232,025	12,212	-	244,237
Occupancy	2,175	-	-	2,175
Equipment rent and maintenance	172,721	-	-	172,721
Interest	38,957	2,050	-	41,007
Insurance	86,872	4,572	-	91,444
Utilities	151,036	7,949	-	158,985
Advertising/promotional/events	-	-	35,949	35,949
Purchased services	7,843	413	-	8,256
Travel	16,550	-	-	16,550
Miscellaneous	18,528	23,916	11,433	53,877
 Total expenses before depreciation	 56,988,266	 374,797	 119,111	 57,482,174
Depreciation	576,624	30,349	-	606,973
 TOTAL EXPENSES	 <u>\$ 57,564,890</u>	 <u>\$ 405,146</u>	 <u>\$ 119,111</u>	 <u>\$ 58,089,147</u>

See accompanying notes.

MIDWEST FOOD BANK, NFP

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Reporting Entity

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

B) Basis of Accounting

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

C) Basis of Presentation

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

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

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

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

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D) Accounting Estimates

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

E) Cash and Cash Equivalents

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

F) Land, Building and Equipment

Land, buildings and equipment are stated at cost or if donated, at the fair value at the date of donation. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Depreciation expense for year ended December 31, 2013 totaled \$606,973. Depreciation is computed on the straight line basis of depreciation over the estimated useful lives of the assets as follows:

Building	40 years
Building improvements	15 years
Warehouse equipment	7 years
Trucks and trailers	5-7 years
Office furniture and equipment	5 years
Computer equipment and software	5 years

G) Donations-In-Kind

Contributed food and supplies received by the Organization are recorded as income along with a corresponding charge to expense or inventory. Donations-in-kind of food and supplies recognized in the financial statements for the year ended December 31, 2013 were \$59,644,785.

Contributed services of professional truck drivers, accounting, and executive management are recognized as in-kind revenues at the estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated; these amounted to \$274,409 for the year ended December 31, 2013.

MIDWEST FOOD BANK, NFP
NOTES TO FINANCIAL STATEMENTS – Continued

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Over 10,777 people participated in the Organization's volunteer program during the year ended December 31, 2013. Community members volunteered in many capacities. A dollar valuation of their efforts is not included in the financial statements since it does not meet the criteria for recognition. However, volunteer hours for the year ended December 31, 2013 were approximately 105,945.

H) Inventory

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

I) Income Taxes

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

The Organization believes there are no significant uncertain tax positions resulting in liabilities that would have been required to be recorded for the year ended December 31, 2013.

The Organization conducts business solely in the U.S. and, as a result, files income tax informational returns for the U.S. and Illinois. In the normal course of business, the Organization is subject to examination by taxing authorities. The Organization's income informational returns for years subsequent to December 31, 2010 are open, by statute, for review by authorities. However, at present, there are no ongoing income tax audits or unresolved disputes with the various tax authorities that Midwest Food Bank currently files or has filed with.

J) Subsequent Events

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

MIDWEST FOOD BANK, NFP
 NOTES TO FINANCIAL STATEMENTS – Continued

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

The Organization has evaluated subsequent events through July 16, 2014, which was the date the financial statements were available for issuance, and determined that there were no significant non-recognized subsequent events through that date.

K) Functionalization of Expenses

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

2) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of:

Land	\$ 676,095
Buildings and improvements	5,963,592
Warehouse equipment	558,966
Trucks and trailers	1,826,857
Freezers	702,232
Office and miscellaneous equipment	169,067
Construction in process	<u>193,993</u>
	10,090,802
Less accumulated depreciation	<u>2,827,742</u>
Property and equipment, net	<u>\$ 7,263,060</u>

3) DEBT

LINE OF CREDIT, \$650,000, interest due on the 15th of each month at 3.25%, secured by real property in McLean County, maturity date of September 2017.

\$ 387,660

MIDWEST FOOD BANK, NFP
 NOTES TO FINANCIAL STATEMENTS – Continued

NOTES PAYABLE

TERM NOTE \$600,000, interest at 2.75%, 59 monthly installments of \$5,736, including interest, with final payment due on October 26, 2017. Secured by real property in Tazewell County	\$	532,390
TERM NOTE \$200,000, interest at 3.5%, quarterly installments of \$2,716, including interest, with final payment due on June 21, 2016.		163,766
TERM NOTE \$200,000, interest at 3.5%, monthly installments of \$3,643, including interest, with final payment due on June 20, 2016.		<u>77,933</u>
Total	\$	<u><u>774,089</u></u>

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

2014	\$	101,419
2015		97,830
2016		211,131
2017		<u>363,709</u>
Total	\$	<u><u>774,089</u></u>

4) RESTRICTIONS ON NET ASSETS

Donations totaling \$20,000 were received during 2013 for the purchase of meat and not expended. This balance is shown as temporarily restricted net assets at December 31, 2013.

5) RELATED PARTY TRANSACTIONS

Midwest Food Bank may purchase goods or serviced from companies that are affiliated with or owned by Board members directly or indirectly. Generally, items and services are purchased using a competitive process. Insurance coverage was brokered through an agency owned by a Board member during the year ended December 31, 2013. The related commissions, if any, are immaterial to the financial statements.