

CENTRAL ILLINOIS FOODBANK, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

May 31, 2012 and 2011

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Independent Auditors' Report

Board of Directors
Central Illinois Foodbank, Inc.

We have audited the accompanying statements of financial position of Central Illinois Foodbank, Inc. (a not-for-profit organization) as of May 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Illinois Foodbank, Inc. as of May 31, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2012, on our consideration of Central Illinois Foodbank, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eck, Schaefer & Pankke, LLP

Springfield, Illinois
July 19, 2012

Central Illinois Foodbank, Inc.

STATEMENTS OF FINANCIAL POSITION

May 31

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 1,161,818	\$ 754,710
Certificates of deposit	315,266	312,782
Shared maintenance receivables, net	52,823	48,377
Pledges receivable, net	55,649	79,523
Unconditional promise to give	775,000	-
Accrued interest	3,338	2,026
Inventory		
Contributed food	980,320	953,555
Purchased food	46,660	57,891
Prepaid expenses	5,834	3,353
Land, buildings and equipment, net	<u>394,928</u>	<u>486,708</u>
Total assets	<u>\$ 3,791,636</u>	<u>\$ 2,698,925</u>
LIABILITIES		
Accounts payable	\$ 22,658	\$ 6,698
Accrued compensation	38,166	31,617
Deferred revenue	-	54,000
Other liabilities	<u>374</u>	<u>475</u>
Total liabilities	61,198	92,790
NET ASSETS		
Unrestricted	2,801,530	2,448,145
Temporarily restricted	<u>928,908</u>	<u>157,990</u>
Total net assets	<u>3,730,438</u>	<u>2,606,135</u>
Total liabilities and net assets	<u>\$ 3,791,636</u>	<u>\$ 2,698,925</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended May 31, 2012

	<u>Foodbank</u>	<u>Contributed Food</u>	<u>Total</u>
CHANGES IN UNRESTRICTED NET ASSETS			
Unrestricted revenues and other support			
Program service fees	\$ 927,185	\$ -	\$ 927,185
Grants and contracts	388,363	-	388,363
Contributions	891,082	-	891,082
Contributed food received	-	12,997,486	12,997,486
Interest	7,810	-	7,810
Other	<u>5,296</u>	<u>-</u>	<u>5,296</u>
Total unrestricted revenues and other support	2,219,736	12,997,486	15,217,222
Net assets released from restrictions	<u>10,272</u>	<u>-</u>	<u>10,272</u>
Total unrestricted revenue and reclassifications	2,230,008	12,997,486	15,227,494
EXPENSES			
Foodbank operations	1,805,948	-	1,805,948
Contributed food distributed	-	12,970,721	12,970,721
Depreciation	<u>97,440</u>	<u>-</u>	<u>97,440</u>
Total expenses	<u>1,903,388</u>	<u>12,970,721</u>	<u>14,874,109</u>
NET CHANGE IN UNRESTRICTED NET ASSETS	326,620	26,765	353,385
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contribution – building	775,000	-	775,000
Contributions – cash	6,190	-	6,190
Net assets released from restrictions	<u>(10,272)</u>	<u>-</u>	<u>(10,272)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>770,918</u>	<u>-</u>	<u>770,918</u>
NET CHANGE IN NET ASSETS	1,097,538	26,765	1,124,303
NET ASSETS AT BEGINNING OF YEAR	<u>1,652,580</u>	<u>953,555</u>	<u>2,606,135</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,750,118</u>	<u>\$ 980,320</u>	<u>\$ 3,730,438</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended May 31, 2011

	<u>Foodbank</u>	<u>Contributed Food</u>	<u>Total</u>
CHANGES IN UNRESTRICTED NET ASSETS			
Unrestricted revenues and other support			
Program service fees	\$ 759,802	\$ -	\$ 759,802
Grants and contracts	422,565	-	422,565
Contributions	714,840	-	714,840
Contributed food received	-	12,009,219	12,009,219
Interest	10,037	-	10,037
Other	<u>4,957</u>	<u>-</u>	<u>4,957</u>
Total unrestricted revenues and other support	1,912,201	12,009,219	13,921,420
EXPENSES			
Foodbank operations	1,584,900	-	1,584,900
Contributed food distributed	-	11,866,894	11,866,894
Depreciation	<u>88,250</u>	<u>-</u>	<u>88,250</u>
Total expenses	<u>1,673,150</u>	<u>11,866,894</u>	<u>13,540,044</u>
NET CHANGE IN UNRESTRICTED NET ASSETS	239,051	142,325	381,376
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS			
Contributions	<u>157,990</u>	<u>-</u>	<u>157,990</u>
NET CHANGE IN NET ASSETS	397,041	142,325	539,366
NET ASSETS AT BEGINNING OF YEAR	<u>1,255,539</u>	<u>811,230</u>	<u>2,066,769</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,652,580</u>	<u>\$ 953,555</u>	<u>\$ 2,606,135</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2012

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 347,377	\$ 164,831	\$ 32,200	\$ 544,408
Fringe benefits	<u>58,218</u>	<u>22,365</u>	<u>5,660</u>	<u>86,243</u>
Total salaries and fringe benefits	405,595	187,196	37,860	630,651
Product costs	639,028	-	-	639,028
Contract labor	21,948	3,080	-	25,028
Freight	63,799	-	-	63,799
Insurance	35,658	-	-	35,658
Utilities	31,844	-	-	31,844
Payroll taxes	26,976	12,752	2,537	42,265
Membership fees	14,765	-	-	14,765
Repairs and maintenance	53,209	-	-	53,209
Vehicle fuel	61,522	-	-	61,522
Legal and professional	-	21,158	-	21,158
Postage	5,452	-	39,167	44,619
Communications	8,570	-	-	8,570
Supplies	9,498	612	494	10,604
Printing	1,326	-	83,564	84,890
Training and meetings	8,808	-	-	8,808
Rental fees	110	-	-	110
Special events	-	-	10,292	10,292
Advertising	2,415	-	-	2,415
Bad debts	3,500	-	-	3,500
Other	<u>5,799</u>	<u>7,414</u>	<u>-</u>	<u>13,213</u>
Total expenses before contributed food distributed and depreciation	1,399,822	232,212	173,914	1,805,948
Contributed food distributed	12,970,721	-	-	12,970,721
Depreciation	<u>97,440</u>	<u>-</u>	<u>-</u>	<u>97,440</u>
Total expenses	<u>\$14,467,983</u>	<u>\$ 232,212</u>	<u>\$ 173,914</u>	<u>\$14,874,109</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2011

	<u>Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 319,399	\$ 155,486	\$ 28,375	\$ 503,260
Fringe benefits	<u>48,912</u>	<u>21,068</u>	<u>3,798</u>	<u>73,778</u>
Total salaries and fringe benefits	368,311	176,554	32,173	577,038
Product costs	475,872	-	-	475,872
Contract labor	40,604	3,835	-	44,439
Freight	43,252	-	-	43,252
Insurance	37,812	-	-	37,812
Utilities	34,303	-	-	34,303
Payroll taxes	24,896	12,006	2,417	39,319
Membership fees	14,348	-	-	14,348
Repairs and maintenance	36,397	-	-	36,397
Vehicle fuel	52,370	-	-	52,370
Legal and professional	-	24,727	-	24,727
Postage	5,540	-	33,502	39,042
Communications	7,653	-	-	7,653
Supplies	12,254	446	205	12,905
Printing	3,060	-	87,879	90,939
Training and meetings	10,295	-	-	10,295
Rental fees	860	-	-	860
Special events	-	-	9,357	9,357
Advertising	11,601	-	-	11,601
Bad debts	10,672	-	-	10,672
Loss on asset disposal	3,545	-	-	3,545
Other	<u>3,778</u>	<u>4,302</u>	<u>74</u>	<u>8,154</u>
Total expenses before contributed food distributed and depreciation	1,197,423	221,870	165,607	1,584,900
Contributed food distributed	11,866,894	-	-	11,866,894
Depreciation	<u>88,250</u>	<u>-</u>	<u>-</u>	<u>88,250</u>
Total expenses	<u>\$13,152,567</u>	<u>\$ 221,870</u>	<u>\$ 165,607</u>	<u>\$13,540,044</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

STATEMENTS OF CASH FLOWS

For the years ended May 31

	<u>2012</u>	<u>2011</u>
Operating activities		
Change in net assets	\$1,124,303	\$ 539,366
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Change in discount of pledges receivable	(2,200)	3,000
Change in provision for uncollectible contributions	(2,900)	9,172
Inventory – contributed food	(26,765)	(142,325)
Depreciation	97,440	88,250
Loss on asset disposal	-	3,545
Changes in		
Shared maintenance receivables	(4,446)	(3,261)
Pledges receivable	28,974	(91,695)
Contract receivable	-	3,902
Unconditional promise to give	(775,000)	-
Accrued interest	(1,312)	(1,470)
Inventory – purchased food	11,231	(27,582)
Prepaid expenses	(2,481)	2,064
Accounts payable	15,960	(24,717)
Accrued compensation	6,549	6,423
Deferred revenue	(54,000)	54,000
Other liabilities	<u>(101)</u>	<u>(74)</u>
Net cash flows from operating activities	415,252	418,598
Investing activities		
Maturities of certificates of deposit	154,722	234,068
Purchase of certificates of deposit	(157,206)	(237,663)
Purchase of property and equipment	<u>(5,660)</u>	<u>(182,040)</u>
Net cash flows from investing activities	<u>(8,144)</u>	<u>(185,635)</u>
Net increase in cash and cash equivalents	407,108	232,963
Cash and cash equivalents at beginning of year	<u>754,710</u>	<u>521,747</u>
Cash and cash equivalents at end of year	<u>\$1,161,818</u>	<u>\$ 754,710</u>
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS

For the years ended May 31, 2012 and 2011

NOTE A - ORGANIZATION

Central Illinois Foodbank, Inc. (Foodbank) is a not-for-profit corporation organized under the laws of the State of Illinois. The objective of the Foodbank is to collect donated food and grocery items from growers, manufacturers, processors, wholesalers and retailers and redistribute those items to charitable agencies serving the poor, elderly, handicapped and children. The Foodbank also organizes food drives and other events to raise food for those in need, and works with private and public organizations to develop solutions to end hunger.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Use of Estimates

Management makes estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with an original maturity of three months or less.

3. Shared Maintenance Receivables

Shared maintenance receivables are stated at estimated net realizable value and include an allowance for doubtful accounts of \$ 3,690 and \$ 1,290 for 2012 and 2011, respectively.

4. Promises to Give

Unconditional promises to give are recorded as received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the year in which the promises are to be received. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as an increase in unrestricted net assets.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. Inventory

Food donated to the Foodbank is capitalized as inventory and accounted for as unrestricted contributions. Contributed food is valued at a weighted average wholesale price per pound of \$ 1.66 for 2012 and \$ 1.60 for 2011, as determined by the most recent information available from Feeding America. Purchased food is valued at invoice cost determined by the first-in, first-out method.

6. Land, Buildings and Equipment

Land, building and equipment are carried at cost, except for gifts or donations which are reported as contributions and stated at estimated value at date of receipt. Depreciation of building and equipment is computed using the straight-line method over the estimated useful lives of the respective assets which range from three to thirty-nine years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

7. Deferred Revenue

Deferred revenue consists of grant funds received for which allowed expenditures have not yet been incurred.

8. Tax Status

The Foodbank is organized under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income under Section 501(a) of the Code.

The Foodbank follows accounting principles generally accepted in the United States of America which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Tax positions for the open tax years as of May 31, 2012 were reviewed, and it was determined that no provision for uncertain tax positions is required. The Foodbank's information income tax returns for years subsequent to fiscal year 2008 are open, by statute, for review by authorities.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Revenues and Support

The Foodbank reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are generally reported as unrestricted contributions.

Revenues from contributed food received, as well as the related contributed food distributed expense, are computed by valuing such items at a weighted average wholesale price per pound of \$ 1.66 for 2012 and \$ 1.60 for 2011, as determined by the most recent information available from Feeding America.

Revenues from fees and grants, primarily from government agencies, are recognized as they are earned through expenditure in accordance with the respective agreements. Any funding received in advance of expenditure is recorded as deferred revenue in the statement of financial condition. Revenues from program service fees, primarily shared maintenance fees for storage and handling costs and purchased product costs, are recognized when charged to agencies and other foodbanks after they receive distributions of food items. Grants recognized include amounts earned as a sub recipient of funds from the State of Illinois Department of Human Services for administering the Emergency Food Program of the United States Department of Agriculture Food and Nutrition Services; amounts earned for the purchase and distribution of food items in connection with the Emergency Food and Shelter Program of the Federal Emergency Management Agency; and private grants.

In the opinion of management, the Foodbank has complied with the conditions set forth in its government grant contracts that, in the event of noncompliance, would have a material effect on the financial statements.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Classifications of Net Assets

Under accounting principles generally accepted in the United States of America, the Foodbank is required to classify its net assets and its revenues and expenses into one of three classes based on the existence or absence of donor-imposed restrictions. The three classes are as follows:

Unrestricted - Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted - Net assets whose use is limited by donor-imposed stipulations that expire with the passage of time or that can be fulfilled or otherwise removed by actions of the Foodbank pursuant to those stipulations.

Permanently restricted - Net assets whose use is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foodbank. The Foodbank had no permanently restricted net assets as of May 31, 2012 and 2011.

The solicitation, receipt, storage, and distribution of donated products constitute the principal operating activities of the Foodbank.

A description of unrestricted net assets and programs follows:

Foodbank

Operating - represents resources used to carry out the Foodbank operations over which the Board of Directors has discretionary control. It also includes the net investment in land, building, and equipment and the unexpended Board designated resources for future acquisitions of property and equipment to be used in operations.

The Foodbank administers two government food programs described below. As the administrator of these programs, the Foodbank is able to allocate a portion of its overhead to the programs' expenses:

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. Classifications of Net Assets - Continued

1. The Illinois Department of Human Services distribution of United States Department of Agriculture (USDA) food commodities programs - Under this arrangement, the Foodbank takes possession of USDA commodities and distributes them to certain qualified agencies without service fees.
2. The Emergency Food and Shelter National Board Program of the Federal Emergency Management Agency (FEMA) - Using FEMA grant money, the Foodbank purchases and distributes to eligible agencies, without service fees, foods high in protein and staples. These foods complement donated products.

Kids Cafe

Kids Cafe provides nutritious meals to low-income children who live in poverty-stricken neighborhoods and regularly go without much needed food. In an effort to address the issue of inadequate food and nutrition, the Foodbank collaborates with existing after-school programs that offer a safe and nurturing environment with educational activities for children. Kids Cafes are open year-round or during the summer, Monday through Friday.

11. Subsequent Events

The Foodbank assessed events that have occurred subsequent to May 31, 2012 through July 19, 2012, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE C - PLEDGES RECEIVABLE

Pledges receivable are contributions for the funding of a new building and are reflected at the present value of estimated future cash flows using a discount rate of .75% and 1.80% at May 31, 2012 and 2011, respectively. Pledges receivable are included in temporarily restricted net assets and were as follows as of May 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 21,583	\$ 24,176
Receivable in one to five years	<u>41,138</u>	<u>67,519</u>
	62,721	91,695
Less discount to net present value	(800)	(3,000)
Less allowance for uncollectible contributions	<u>(6,272)</u>	<u>(9,172)</u>
Pledges receivable - net	<u>\$ 55,649</u>	<u>\$ 79,523</u>

NOTE D - UNCONDITIONAL PROMISE TO GIVE

On March 20, 2012, a donor contributed a building to the Foodbank. The Foodbank will move its operations to the building once the donor vacates the property. The donor expects this to occur in the fall of 2012. The Foodbank has recorded an unconditional promise to give of \$ 775,000, the appraised value of the building, at May 31, 2012.

NOTE E - INVENTORY

Activities in contributed food inventory during the years ended May 31, 2012 and 2011 were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Pounds</u>	<u>Dollar Value</u>	<u>Pounds</u>	<u>Dollar Value</u>
Beginning inventory	595,972	\$ 953,555	513,437	\$ 811,230
Contributed food received	7,829,811	12,997,486	7,505,762	12,009,219
Contributed food distributed	<u>(7,835,229)</u>	<u>(12,970,721)</u>	<u>(7,423,227)</u>	<u>(11,866,894)</u>
Ending inventory	<u>590,554</u>	<u>\$ 980,320</u>	<u>595,972</u>	<u>\$ 953,555</u>

The Foodbank purchases food to supplement the contributed food. The Foodbank had \$ 46,660 and \$ 57,891 of purchased food inventory at May 31, 2012 and 2011, respectively.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended May 31, 2012 and 2011

NOTE F - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following at May 31:

	<u>2012</u>	<u>2011</u>
Land	\$ 55,500	\$ 55,500
Buildings	449,908	449,908
Office furniture and equipment	61,067	63,129
Equipment	122,308	124,558
Vehicles	<u>335,954</u>	<u>335,954</u>
Total	1,024,737	1,029,049
Less accumulated depreciation	<u>(629,809)</u>	<u>(542,341)</u>
Land, buildings and equipment, net	<u>\$ 394,928</u>	<u>\$ 486,708</u>

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At May 31, 2012, temporarily restricted net assets totaled \$ 928,908 , which included temporarily restricted net assets of \$ 775,000 due to a timing restriction on a contributed building and donor restricted contributions of \$ 153,908 for the funding of a new building.

At May 31, 2011 the Foodbank had \$ 157, 990 of temporarily restricted net assets due to donor restricted contributions for the funding of a new building.

NOTE H - FUNCTIONAL EXPENSES

Expenses included in the Statement of Functional Expenses are presented for the Foodbank as a whole. Compensation and related expenses have been allocated on the basis of an estimate of time devoted to the applicable service areas.

NOTE I - CONCENTRATION OF FUNDING

Grant revenues from the State of Illinois Department of Human Services for administering the Emergency Food Program of the United States Department of Agriculture, Food Nutrition Services, is contingent upon the Foodbank's annual execution of a grant contract with the State of Illinois Department of Human Services; the Foodbank's compliance with the grant's provisions; and the availability of appropriated funds at both the federal and state levels. The Foodbank's participation in this program for the year ending May 31, 2012, has been approved by the State of Illinois Department of Human Services.

SUPPLEMENTARY INFORMATION

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Board of Directors
Central Illinois Foodbank, Inc.

We have audited the financial statements of Central Illinois Foodbank, Inc. (the "Organization") as of and for the year ended May 31, 2012, and have issued our report thereon dated July 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schofer & Puntke, LLP

Springfield, Illinois
July 19, 2012

Independent Auditors' Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133

Board of Directors
Central Illinois Foodbank, Inc.

Compliance

We have audited the compliance of Central Illinois Foodbank, Inc. (the "Organization") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended May 31, 2012. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Central Illinois Foodbank, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schaefer & Pankke, LLP

Springfield, Illinois
July 19, 2012

Central Illinois Foodbank, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended May 31, 2012

Federal Grantor/Pass-through Grantor and Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed through the Illinois Department of Human Services		
The Emergency Food Assistance Program	10.568	\$ 220,053
The Emergency Food Assistance Program (Food Commodities)	10.569	<u>2,692,859</u>
		2,912,912
Passed through the Illinois State Board of Education		
Child and Adult Care Food Program	10.558	26,035
Summer Food Service Program for Children	10.559	<u>3,781</u>
		29,816
U.S. Department of Homeland Security		
Emergency Food and Shelter National Board Program	97.024	6,967
U.S. Department of Health and Human Services		
Passed through the Illinois Department of Human Services		
Temporary Assistance for Needy Families	93.558	<u>42,699</u>
Total Federal Expenditures		<u>\$ 2,992,394</u>

See accompanying notes to schedule of expenditures of federal awards.

Central Illinois Foodbank, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended May 31, 2012

NOTE 1 - BASIS OF PRESENTATION AND MAJOR PROGRAM OBJECTIVES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Central Illinois Foodbank, Inc. and is presented on the accrual basis of accounting. Generally, revenues are recognized to the extent that allowable expenditures have been incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The Emergency Food Assistance Program (major program) objective is to help supplement the diets of low-income persons by making food commodities available to states for distribution through local organizations that provide food assistance to needy persons. Food commodities distributed are valued at a weighted average wholesale price per pound of \$ 1.66 for the year ended May 31, 2012, as determined by the most recent information available from Feeding America.

Central Illinois Foodbank, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended May 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are
not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are
not considered to be material weaknesses? _____ Yes X No

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Section 510(a) of
Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.568, 10.569	The Emergency Food Assistance Program Cluster

Dollar threshold used to distinguish between
type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Central Illinois Foodbank, Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended May 31, 2012

There were no prior audit findings required to be reported relative to Federal awards.

To the Board of Directors
Central Illinois Foodbank, Inc.

We have audited the financial statements of the Central Illinois Foodbank, Inc. (the Foodbank) for the year ended May 31, 2012, and have issued our report thereon dated July 19, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

Financial Statements

As stated in our engagement letter dated June 6, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Scope and Timing of the Audit

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas tested.

Our audit included obtaining an understanding of the Foodbank and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Foodbank or to acts by management or employees acting on behalf of the Foodbank.

We performed the audit according to the planned scope and timing.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foodbank are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Foodbank during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no particularly sensitive estimates noted during our audit.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements defected as a result of audit procedures and corrected by management were material, either individually or the aggregate, to the financial statement as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 19, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foodbank's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foodbank's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complied with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Foodbank and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schafen & Puntke, LLP

Springfield, Illinois
July 19, 2012

To Senior Management and the Board of Directors
Central Illinois Foodbank, Inc.
Springfield, Illinois

In planning and performing our audit of the financial statements of the Central Illinois Foodbank, Inc. for the year ended May 31, 2012, we considered the Central Illinois Foodbank, Inc.'s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls. This letter does not affect our report dated July 19, 2012, on the financial statements of the Central Illinois Foodbank, Inc.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Central Illinois Foodbank, Inc. personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation. Our comment is included in the attachment.

This report is intended solely for the information and use of the Board of Directors, management and others within the Central Illinois Foodbank, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Eck, Schafer & Pumke, LLP

Springfield, Illinois
July 19, 2012

Other Matters

Segregation of Duties (First Issued 2009)

Inadequate segregation of duties is not uncommon in small businesses and organizations. With a limited number of individuals to share responsibilities for access to assets and accounting, it is sometimes difficult to mitigate the control weaknesses caused by a lack of segregation of duties. It is rarely practical to hire additional employees just to improve internal controls. However, there are usually compensating procedures which may be implemented by officers/directors, reducing the risk created by lack of segregation of duties. We recommend you examine your policies and improve as necessary.