

CENTRAL ILLINOIS FOODBANK, INC.

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

May 31, 2014 and 2013

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# ECK, SCHAFER & PUNKE, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

Board of Directors  
Central Illinois Foodbank, Inc.  
Springfield, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Central Illinois Foodbank, Inc., a nonprofit organization, which are comprised of the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 auditors consider 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 financial position of the Central Illinois Foodbank, Inc. as of May 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

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 the purposes of additional analysis as required by OMB 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 statement 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2014, on our consideration of Central Illinois Foodbank, Inc.'s internal control over financial reporting and on 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* in considering Central Illinois Foodbank, Inc.'s internal control over financial reporting and compliance.

*Eck, Schafer & Punke, LLP*

Springfield, Illinois  
August 12, 2014

Central Illinois Foodbank, Inc.

STATEMENTS OF FINANCIAL POSITION

May 31

|                                     | <u>2014</u>         | <u>2013</u>         |
|-------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                       |                     |                     |
| Cash and cash equivalents           | \$ 1,123,955        | \$ 865,015          |
| Certificates of deposit             | 321,933             | 320,274             |
| Shared maintenance receivables, net | 54,438              | 36,239              |
| Pledges receivable, net             | 14,080              | 30,483              |
| Grant receivable                    | 10,000              | -                   |
| Accrued interest                    | 514                 | 542                 |
| Inventory                           |                     |                     |
| Contributed food                    | 1,300,664           | 1,102,664           |
| Purchased food                      | 40,269              | 56,117              |
| Prepaid expenses                    | 7,121               | 3,714               |
| Land, buildings and equipment, net  | <u>2,620,879</u>    | <u>2,752,393</u>    |
| Total assets                        | <u>\$ 5,493,853</u> | <u>\$ 5,167,441</u> |
| <b>LIABILITIES</b>                  |                     |                     |
| Accounts payable                    | \$ 29,925           | \$ 350,440          |
| Accrued compensation                | 46,100              | 50,361              |
| Deferred revenue                    | 104,711             | 23,455              |
| Other liabilities                   | <u>211</u>          | <u>629</u>          |
| Total liabilities                   | 180,947             | 424,885             |
| <b>NET ASSETS</b>                   |                     |                     |
| Unrestricted                        | 5,298,826           | 4,712,073           |
| Temporarily restricted              | <u>14,080</u>       | <u>30,483</u>       |
| Total net assets                    | <u>5,312,906</u>    | <u>4,742,556</u>    |
| Total liabilities and net assets    | <u>\$ 5,493,853</u> | <u>\$ 5,167,441</u> |

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

Central Illinois Foodbank, Inc.

STATEMENT OF ACTIVITIES

For the year ended May 31, 2014

|                                                            | <u>Foodbank</u>     | <u>Contributed<br/>Food</u> | <u>Total</u>        |
|------------------------------------------------------------|---------------------|-----------------------------|---------------------|
| <b>CHANGES IN UNRESTRICTED NET ASSETS</b>                  |                     |                             |                     |
| Unrestricted revenues and other support                    |                     |                             |                     |
| Program service fees                                       | \$ 984,943          | \$ -                        | \$ 984,943          |
| Grants and contracts                                       | 402,646             | -                           | 402,646             |
| Contributions                                              | 1,302,461           | -                           | 1,302,461           |
| Contributed food received                                  | -                   | 16,701,531                  | 16,701,531          |
| Interest                                                   | 3,216               | -                           | 3,216               |
| Other                                                      | 6,021               | -                           | 6,021               |
| Loss on sale of land, buildings and equipment              | <u>(28,723)</u>     | <u>-</u>                    | <u>(28,723)</u>     |
| Total unrestricted revenues<br>and other support           | 2,670,564           | 16,701,531                  | 19,372,095          |
| Net assets released from restrictions                      | <u>16,403</u>       | <u>-</u>                    | <u>16,403</u>       |
| Total unrestricted revenues and<br>releases                | 2,686,967           | 16,701,531                  | 19,388,498          |
| <b>EXPENSES</b>                                            |                     |                             |                     |
| Foodbank operations                                        | 2,176,637           | -                           | 2,176,637           |
| Contributed food distributed                               | -                   | 16,503,531                  | 16,503,531          |
| Depreciation                                               | <u>121,577</u>      | <u>-</u>                    | <u>121,577</u>      |
| Total expenses                                             | <u>2,298,214</u>    | <u>16,503,531</u>           | <u>18,801,745</u>   |
| <b>NET CHANGE IN UNRESTRICTED<br/>NET ASSETS</b>           | 388,753             | 198,000                     | 586,753             |
| <b>CHANGES IN TEMPORARILY RESTRICTED<br/>NET ASSETS</b>    |                     |                             |                     |
| Net assets released from restrictions                      | <u>(16,403)</u>     | <u>-</u>                    | <u>(16,403)</u>     |
| <b>NET CHANGE IN TEMPORARILY RESTRICTED<br/>NET ASSETS</b> | <u>(16,403)</u>     | <u>-</u>                    | <u>(16,403)</u>     |
| <b>NET CHANGE IN NET ASSETS</b>                            | 372,350             | 198,000                     | 570,350             |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                     | <u>3,639,892</u>    | <u>1,102,664</u>            | <u>4,742,556</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                           | <u>\$ 4,012,242</u> | <u>\$ 1,300,664</u>         | <u>\$ 5,312,906</u> |

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

Central Illinois Foodbank, Inc.

STATEMENT OF ACTIVITIES

For the year ended May 31, 2013

|                                                            | <u>Foodbank</u>     | <u>Contributed<br/>Food</u> | <u>Total</u>        |
|------------------------------------------------------------|---------------------|-----------------------------|---------------------|
| <b>CHANGES IN UNRESTRICTED NET ASSETS</b>                  |                     |                             |                     |
| Unrestricted revenues and other support                    |                     |                             |                     |
| Program service fees                                       | \$ 917,770          | \$ -                        | \$ 917,770          |
| Grants and contracts                                       | 287,434             | -                           | 287,434             |
| Contributions                                              | 1,569,894           | -                           | 1,569,894           |
| Contributed food received                                  | -                   | 13,997,498                  | 13,997,498          |
| Interest                                                   | 4,722               | -                           | 4,722               |
| Other                                                      | <u>3,630</u>        | <u>-</u>                    | <u>3,630</u>        |
| Total unrestricted revenues<br>and other support           | 2,783,450           | 13,997,498                  | 16,780,948          |
| Net assets released from restrictions                      | <u>1,153,800</u>    | <u>-</u>                    | <u>1,153,800</u>    |
| Total unrestricted revenues and<br>releases                | 3,937,250           | 13,997,498                  | 17,934,748          |
| <b>EXPENSES</b>                                            |                     |                             |                     |
| Foodbank operations                                        | 2,053,047           | -                           | 2,053,047           |
| Contributed food distributed                               | -                   | 13,875,154                  | 13,875,154          |
| Depreciation                                               | <u>96,003</u>       | <u>-</u>                    | <u>96,003</u>       |
| Total expenses                                             | <u>2,149,050</u>    | <u>13,875,154</u>           | <u>16,024,204</u>   |
| <b>NET CHANGE IN UNRESTRICTED<br/>NET ASSETS</b>           | 1,788,200           | 122,344                     | 1,910,544           |
| <b>CHANGES IN TEMPORARILY RESTRICTED<br/>NET ASSETS</b>    |                     |                             |                     |
| Contributions - cash                                       | 255,374             | -                           | 255,374             |
| Net assets released from restrictions                      | <u>(1,153,800)</u>  | <u>-</u>                    | <u>(1,153,800)</u>  |
| <b>NET CHANGE IN TEMPORARILY RESTRICTED<br/>NET ASSETS</b> | <u>(898,426)</u>    | <u>-</u>                    | <u>(898,426)</u>    |
| <b>NET CHANGE IN NET ASSETS</b>                            | 889,774             | 122,344                     | 1,012,118           |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>                     | <u>2,750,118</u>    | <u>980,320</u>              | <u>3,730,438</u>    |
| <b>NET ASSETS AT END OF YEAR</b>                           | <u>\$ 3,639,892</u> | <u>\$ 1,102,664</u>         | <u>\$ 4,742,556</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, 2014

|                                                                        | <u>Programs</u>      | <u>Management<br/>and General</u> | <u>Fund<br/>Raising</u> | <u>Total</u>         |
|------------------------------------------------------------------------|----------------------|-----------------------------------|-------------------------|----------------------|
| Salaries                                                               | \$ 380,751           | \$ 172,628                        | \$ 38,215               | \$ 591,594           |
| Fringe benefits                                                        | <u>71,376</u>        | <u>21,165</u>                     | <u>5,438</u>            | <u>97,979</u>        |
| Total salaries and fringe benefits                                     | 452,127              | 193,793                           | 43,653                  | 689,573              |
| Product costs                                                          | 659,948              | -                                 | -                       | 659,948              |
| Contract labor                                                         | 80,284               | -                                 | 5,840                   | 86,124               |
| Freight                                                                | 100,566              | -                                 | -                       | 100,566              |
| Insurance                                                              | 52,057               | -                                 | -                       | 52,057               |
| Utilities                                                              | 87,392               | -                                 | -                       | 87,392               |
| Payroll taxes                                                          | 29,957               | 13,933                            | 2,979                   | 46,869               |
| Membership fees                                                        | 15,260               | -                                 | -                       | 15,260               |
| Repairs and maintenance                                                | 132,703              | -                                 | -                       | 132,703              |
| Vehicle fuel                                                           | 60,212               | -                                 | -                       | 60,212               |
| Legal and professional                                                 | -                    | 32,371                            | -                       | 32,371               |
| Postage                                                                | 6,353                | -                                 | 42,227                  | 48,580               |
| Communications                                                         | 9,121                | -                                 | -                       | 9,121                |
| Supplies                                                               | 17,351               | 4,272                             | -                       | 21,623               |
| Printing                                                               | 2,738                | -                                 | 99,245                  | 101,983              |
| Training and meetings                                                  | 6,073                | -                                 | -                       | 6,073                |
| Special events                                                         | -                    | -                                 | 8,478                   | 8,478                |
| Advertising                                                            | 4,136                | -                                 | -                       | 4,136                |
| Other                                                                  | <u>4,519</u>         | <u>9,049</u>                      | <u>-</u>                | <u>13,568</u>        |
| Total expenses before contributed<br>food distributed and depreciation | 1,720,797            | 253,418                           | 202,422                 | 2,176,637            |
| Contributed food distributed                                           | 16,503,531           | -                                 | -                       | 16,503,531           |
| Depreciation                                                           | <u>121,577</u>       | <u>-</u>                          | <u>-</u>                | <u>121,577</u>       |
| Total expenses                                                         | <u>\$ 18,345,905</u> | <u>\$ 253,418</u>                 | <u>\$ 202,422</u>       | <u>\$ 18,801,745</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, 2013

|                                                                        | <u>Programs</u>      | <u>Management<br/>and General</u> | <u>Fund<br/>Raising</u> | <u>Total</u>         |
|------------------------------------------------------------------------|----------------------|-----------------------------------|-------------------------|----------------------|
| Salaries                                                               | \$ 349,867           | \$ 184,381                        | \$ 24,417               | \$ 558,665           |
| Fringe benefits                                                        | <u>64,223</u>        | <u>23,462</u>                     | <u>5,106</u>            | <u>92,791</u>        |
| Total salaries and fringe benefits                                     | 414,090              | 207,843                           | 29,523                  | 651,456              |
| Contributions                                                          | 101,000              | -                                 | -                       | 101,000              |
| Product costs                                                          | 680,379              | -                                 | -                       | 680,379              |
| Contract labor                                                         | 51,034               | 10,037                            | -                       | 61,071               |
| Freight                                                                | 45,842               | -                                 | -                       | 45,842               |
| Insurance                                                              | 50,464               | -                                 | -                       | 50,464               |
| Utilities                                                              | 59,635               | -                                 | -                       | 59,635               |
| Payroll taxes                                                          | 27,041               | 13,775                            | 1,965                   | 42,781               |
| Membership fees                                                        | 6,939                | -                                 | -                       | 6,939                |
| Repairs and maintenance                                                | 62,480               | -                                 | -                       | 62,480               |
| Vehicle fuel                                                           | 59,431               | -                                 | -                       | 59,431               |
| Legal and professional                                                 | -                    | 23,749                            | -                       | 23,749               |
| Postage                                                                | 6,303                | -                                 | 40,150                  | 46,453               |
| Communications                                                         | 8,974                | -                                 | -                       | 8,974                |
| Supplies                                                               | 11,442               | 371                               | -                       | 11,813               |
| Printing                                                               | 2,037                | -                                 | 96,358                  | 98,395               |
| Training and meetings                                                  | 4,399                | -                                 | -                       | 4,399                |
| Rental fees                                                            | 136                  | -                                 | -                       | 136                  |
| Special events                                                         | -                    | -                                 | 25,632                  | 25,632               |
| Advertising                                                            | 4,189                | -                                 | -                       | 4,189                |
| Bad debts                                                              | 385                  | -                                 | -                       | 385                  |
| Other                                                                  | <u>3,159</u>         | <u>4,281</u>                      | <u>4</u>                | <u>7,444</u>         |
| Total expenses before contributed<br>food distributed and depreciation | 1,599,359            | 260,056                           | 193,632                 | 2,053,047            |
| Contributed food distributed                                           | 13,875,154           | -                                 | -                       | 13,875,154           |
| Depreciation                                                           | <u>96,003</u>        | <u>-</u>                          | <u>-</u>                | <u>96,003</u>        |
| Total expenses                                                         | <u>\$ 15,570,516</u> | <u>\$ 260,056</u>                 | <u>\$ 193,632</u>       | <u>\$ 16,024,204</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>2014</u>         | <u>2013</u>        |
|-----------------------------------------------------------------------------------------------|---------------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                   |                     |                    |
| Change in net assets                                                                          | \$ 570,350          | \$ 1,012,118       |
| Adjustments to reconcile the change in net assets to net cash flows from operating activities |                     |                    |
| Change in discount of pledges receivable                                                      | -                   | (300)              |
| Change in provision for uncollectible contributions                                           | -                   | (2,829)            |
| Inventory - contributed food                                                                  | (198,000)           | (122,344)          |
| Depreciation                                                                                  | 121,577             | 96,003             |
| Loss on sale of land, buildings and equipment                                                 | 28,723              | -                  |
| Changes in certain assets and liabilities                                                     |                     |                    |
| Shared maintenance receivables                                                                | (18,199)            | 16,584             |
| Pledges receivable                                                                            | 16,403              | 28,295             |
| Grant receivable                                                                              | (10,000)            | -                  |
| Accrued interest                                                                              | 28                  | 2,796              |
| Inventory - purchased food                                                                    | 15,848              | (9,457)            |
| Prepaid expenses                                                                              | (3,407)             | 2,120              |
| Accounts payable                                                                              | (320,515)           | 51,985             |
| Accrued compensation                                                                          | (4,261)             | 12,195             |
| Deferred revenue                                                                              | 81,256              | 23,455             |
| Other liabilities                                                                             | <u>(418)</u>        | <u>255</u>         |
| Net cash flows from operating activities                                                      | 279,385             | 1,110,876          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                   |                     |                    |
| Maturities of certificates of deposit                                                         | 236,494             | 315,266            |
| Purchase of certificates of deposit                                                           | (238,153)           | (320,274)          |
| Purchase of land, buildings and equipment                                                     | (163,918)           | (1,402,671)        |
| Proceeds from sale of land, buildings and equipment                                           | <u>145,132</u>      | <u>-</u>           |
| Net cash flows from investing activities                                                      | <u>(20,445)</u>     | <u>(1,407,679)</u> |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                                | 258,940             | (296,803)          |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>                                         | <u>865,015</u>      | <u>1,161,818</u>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                                               | <u>\$ 1,123,955</u> | <u>\$ 865,015</u>  |
| <b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>                                                    |                     |                    |
| Building and land received in satisfaction of unconditional promise to give                   | \$ -                | \$ 775,000         |
| Purchase of property and equipment included in accounts payable                               | -                   | 275,797            |

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

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS

May 31, 2014 and 2013

NOTE A - ORGANIZATION

Central Illinois Foodbank, Inc. (the 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 \$ 3,000 and \$ 5,820 for 2014 and 2013, 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

May 31, 2014 and 2013

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 \$ 1.72 for 2014 and \$ 1.69 for 2013, 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, buildings and equipment are carried at cost, except for gifts or donations which are reported as contributions and stated at estimated fair 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, 2014 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 2010 are open, by statute, for review by authorities.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2014 and 2013

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 \$ 1.72 for 2014 and \$ 1.69 for 2013, 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 position. 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.

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

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2014 and 2013

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, 2014 and 2013.

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

May 31, 2014 and 2013

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 United States Department of Homeland Security - Using 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, Monday through Friday.

11. Subsequent Events

Foodbank assessed events that have occurred subsequent to May 31, 2014 through August 12, 2014, 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.

12. Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the 2014 presentation.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2014 and 2013

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 1.05% at May 31, 2014 and 2013. Pledges receivable are included in temporarily restricted net assets and were as follows as of May 31:

|                                                | <u>2014</u>      | <u>2013</u>      |
|------------------------------------------------|------------------|------------------|
| Receivable in less than one year               | \$ 15,227        | \$ 17,047        |
| Receivable in one to five years                | <u>2,796</u>     | <u>17,379</u>    |
|                                                | 18,023           | 34,426           |
| Less discount to net present value             | (500)            | (500)            |
| Less allowance for uncollectible contributions | <u>(3,443)</u>   | <u>(3,443)</u>   |
| Pledges receivable, net                        | <u>\$ 14,080</u> | <u>\$ 30,483</u> |

NOTE D - UNCONDITIONAL PROMISE TO GIVE

On March 20, 2012, a donor contributed land and a building to the Foodbank. The Foodbank took possession of the land and building during the year ended May 31, 2013, when the donor vacated the property.

NOTE E - INVENTORY

Activities in contributed food inventory during the years ended May 31, 2014 and 2013 were as follows:

|                              | <u>2014</u>        |                     | <u>2013</u>        |                     |
|------------------------------|--------------------|---------------------|--------------------|---------------------|
|                              | <u>Pounds</u>      | <u>Dollar Value</u> | <u>Pounds</u>      | <u>Dollar Value</u> |
| Beginning inventory          | 652,464            | \$ 1,102,664        | 590,554            | \$ 980,320          |
| Contributed food received    | 9,698,812          | 16,701,531          | 8,272,060          | 13,997,498          |
| Contributed food distributed | <u>(9,595,076)</u> | <u>(16,503,531)</u> | <u>(8,210,150)</u> | <u>(13,875,154)</u> |
| Ending inventory             | <u>756,200</u>     | <u>\$ 1,300,664</u> | <u>652,464</u>     | <u>\$ 1,102,664</u> |

The Foodbank purchases food to supplement the contributed food. The Foodbank had \$ 40,269 and \$ 56,117 of purchased food inventory at May 31, 2014 and 2013, respectively.

Central Illinois Foodbank, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

May 31, 2014 and 2013

NOTE F - LAND, BUILDINGS AND EQUIPMENT

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

|                                    | <u>2014</u>         | <u>2013</u>         |
|------------------------------------|---------------------|---------------------|
| Land                               | \$ 115,000          | \$ 170,500          |
| Buildings and improvements         | 2,414,933           | 449,908             |
| Office furniture and equipment     | 127,859             | 60,647              |
| Equipment                          | 86,778              | 122,308             |
| Vehicles                           | 343,426             | 335,954             |
| Construction in progress           | <u>-</u>            | <u>2,337,528</u>    |
| Total                              | 3,087,996           | 3,476,845           |
| Less accumulated depreciation      | <u>(467,117)</u>    | <u>(724,452)</u>    |
| Land, buildings and equipment, net | <u>\$ 2,620,879</u> | <u>\$ 2,752,393</u> |

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

At May 31, 2014 and 2013, the Foodbank had \$ 14,080 and \$ 30,483, respectively, 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 Assistance 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, 2015, has been approved by the State of Illinois Department of Human Services.

## REPORTS ON FEDERAL AWARDS AND COMPLIANCE

**ECK, SCHAFER & PUNKE, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

INCORPORATING THE PRACTICE OF

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**Independent Auditors' 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.  
Springfield, Illinois

We have audited, in accordance with the 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, the financial statements of Central Illinois Foodbank, Inc. (a nonprofit organization), which are comprised of the statement of financial position as of May 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Illinois Foodbank, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Illinois Foodbank, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Central Illinois Foodbank, Inc.'s internal control.

*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 Central Illinois Foodbank, Inc.'s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Illinois Foodbank, Inc.'s financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Illinois Foodbank, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Illinois Foodbank, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eck, Schaefer & Puntke, LLP*

Springfield, Illinois  
August 12, 2014

**ECK, SCHAFER & PUNKE, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

INCORPORATING THE PRACTICE OF

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**Independent Auditors' Report on Compliance  
For Each Major Program and on Internal Control  
Over Compliance Required by OMB Circular A-133**

Board of Directors  
Central Illinois Foodbank, Inc.  
Springfield, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Central Illinois Foodbank, Inc.'s compliance 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 Central Illinois Foodbank, Inc.'s major federal programs for the year ended May 31, 2014. Central Illinois Foodbank, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Central Illinois Foodbank, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 Central Illinois Foodbank, Inc.'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Central Illinois Foodbank, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, Central Illinois Foodbank, Inc. complied, in all material respects, with the types of 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, 2014.

## Report on Internal Control Over Compliance

Management of Central Illinois Foodbank, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Illinois Foodbank, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Central Illinois Foodbank, Inc.'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Eck, Schafer & Pumper, LLP*

Springfield, Illinois  
August 12, 2014

Central Illinois Foodbank, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended May 31, 2014

| <b>Federal Grantor/Pass-through Grantor<br/>and Program Title</b> | <b>CFDA<br/>Number</b> | <b>Pass-through<br/>Entity<br/>Identification<br/>Number</b> | <b>Expenditures</b> |
|-------------------------------------------------------------------|------------------------|--------------------------------------------------------------|---------------------|
| U.S. Department of Agriculture                                    |                        |                                                              |                     |
| Passed through the Illinois Department of<br>Human Services       |                        |                                                              |                     |
| The Emergency Food Assistance<br>Program (Administrative Costs)   | 10.568                 | FCSSHO1394                                                   | \$ 201,452          |
| The Emergency Food Assistance<br>Program (Food Commodities)       | 10.569                 | FCSSHO1394                                                   | <u>2,797,007</u>    |
|                                                                   |                        |                                                              | 2,998,459           |
| Passed through the Illinois State Board<br>of Education           |                        |                                                              |                     |
| Child and Adult Care Food Program                                 | 10.558                 | 51084098POO                                                  | 31,712              |
| Summer Food Service Program for Children                          | 10.559                 | 51084098POO                                                  | <u>9,814</u>        |
|                                                                   |                        |                                                              | 41,526              |
| U.S. Department of Health and Human Services                      |                        |                                                              |                     |
| Passed through the Illinois Department of<br>Human Services       |                        |                                                              |                     |
| Temporary Assistance for Needy Families                           | 93.558                 | FCSSHO1394                                                   | 42,909              |
| U.S. Department of Homeland Security                              |                        |                                                              |                     |
| Emergency Food and Shelter National Board<br>Program              | 97.024                 |                                                              | <u>20,000</u>       |
| Total Expenditures of Federal Awards                              |                        |                                                              | <u>\$ 3,102,894</u> |

See accompanying notes to schedule of expenditures of federal awards.

Central Illinois Foodbank, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended May 31, 2014

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. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

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 \$ 1.72 for the year ended May 31, 2014, as determined by the most recent information available from Feeding America.

NOTE 2 - ADDITIONAL INFORMATION

A. Non-Cash Assistance

Central Illinois Foodbank, Inc. expended \$ 2,797,007 in food commodities during the year ended May 31, 2014.

B. Other Federal Assistance

Central Illinois Foodbank, Inc. did not receive any federal insurance or federal loans or loan guarantees during the year ended May 31, 2014.

C. Sub-recipient Grants

During the year ended May 31, 2014, Central Illinois Foodbank, Inc. did not pass through federal funds to sub-recipients.

Central Illinois Foodbank, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended May 31, 2014

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:

Unmodified

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:

Unmodified

Any audit findings disclosed that are required to  
be reported in accordance with Section 510(a) of  
OMB Circular A-133?

\_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

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, 2014

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