

# **Eastern Illinois Foodbank**

Financial and Compliance Report  
June 30, 2015

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## **Independent Auditor's Report**

RSM US LLP

To the Board of Directors  
Eastern Illinois Foodbank  
Urbana, Illinois

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

We have audited the accompanying financial statements of Eastern Illinois Foodbank which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eastern Illinois Foodbank as of June 30, 2015, and its activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Eastern Illinois Foodbank's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2015 on our consideration of Eastern Illinois Foodbank'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 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 Eastern Illinois Foodbank's internal control over financial reporting and compliance.

RSM US LLP

Champaign, Illinois  
December 4, 2015

**Eastern Illinois Foodbank**

**Statement of Financial Position**

**June 30, 2015, with Summarized Comparative Totals as of June 30, 2014**

	June 30, 2015			June 30, 2014
	Unrestricted	Temporarily Restricted	2015 Total	Total
<b>Assets</b>				
Current Assets				
Cash	\$ 596,518	\$ 206,181	\$ 802,699	\$ 941,369
Certificates of Deposit	202,600	-	202,600	410,074
Shared maintenance receivable	22,409	-	22,409	26,174
Grant receivables	10,885	-	10,885	2,500
Inventories:				
Donated product	865,403	551,442	1,416,845	1,552,575
Purchased product	157,398	-	157,398	176,593
Prepaid expenses	109,430	-	109,430	28,155
Other receivables	3,357	-	3,357	916
<b>Total current assets</b>	<b>1,968,000</b>	<b>757,623</b>	<b>2,725,623</b>	<b>3,138,356</b>
Long-Term Assets				
Certificates of Deposit	412,090	-	412,090	202,583
Investments	1,215,444	-	1,215,444	1,242,002
Property and equipment, net of accumulated depreciation	2,121,486	-	2,121,486	1,966,228
<b>Total long-term assets</b>	<b>3,749,020</b>	<b>-</b>	<b>3,749,020</b>	<b>3,410,813</b>
<b>Total assets</b>	<b>\$ 5,717,020</b>	<b>\$ 757,623</b>	<b>\$ 6,474,643</b>	<b>\$ 6,549,169</b>
<b>Liabilities and Net Assets</b>				
Current Liabilities				
Accounts payable	\$ 96,005	\$ -	\$ 96,005	\$ 44,887
Accrued wages and payroll taxes	33,022	-	33,022	45,166
Accrued vacation	46,621	-	46,621	35,985
Deferred revenue	31,977	-	31,977	21,500
<b>Total liabilities</b>	<b>207,625</b>	<b>-</b>	<b>207,625</b>	<b>147,538</b>
Net Assets				
Unrestricted:				
Undesignated	4,307,899	-	4,307,899	4,197,782
Board designated	1,201,496	-	1,201,496	1,242,002
Temporarily restricted	-	757,623	757,623	961,847
<b>Total net assets</b>	<b>5,509,395</b>	<b>757,623</b>	<b>6,267,018</b>	<b>6,401,631</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,717,020</b>	<b>\$ 757,623</b>	<b>\$ 6,474,643</b>	<b>\$ 6,549,169</b>

See Notes to Financial Statements.

# Eastern Illinois Foodbank

## Statement of Activities

Year Ended June 30, 2015, with Summarized Comparative Totals for Year Ended June 30, 2014

	Year Ended June 30, 2015			Year Ended June 30, 2014
	Unrestricted	Temporarily Restricted	2015 Total	Total
Public support and revenue:				
Public support:				
Contributed food	\$ 8,565,375	\$ -	\$ 8,565,375	\$ 8,677,163
Contributions	998,706	186,658	1,185,364	1,222,249
Government grants and contracts	-	2,443,769	2,443,769	2,549,502
United Way	186,405	12,250	198,655	185,488
Other grants	-	271,301	271,301	95,558
<b>Total public support</b>	<b>9,750,486</b>	<b>2,913,978</b>	<b>12,664,464</b>	<b>12,729,960</b>
Revenue:				
Shared maintenance and purchased product program	398,414	-	398,414	443,986
Delivery income	12,350	-	12,350	-
Other income	198	-	198	1,276
<b>Total revenue</b>	<b>410,962</b>	<b>-</b>	<b>410,962</b>	<b>445,262</b>
Net assets released from restrictions	3,118,202	(3,118,202)	-	-
<b>Total public support and revenue</b>	<b>13,279,650</b>	<b>(204,224)</b>	<b>13,075,426</b>	<b>13,175,222</b>
Expenses:				
Program services	12,549,754	-	12,549,754	12,687,743
Supporting services:				
Fundraising services	411,438	-	411,438	390,421
Management and general	212,508	-	212,508	210,324
<b>Total supporting services</b>	<b>623,946</b>	<b>-</b>	<b>623,946</b>	<b>600,745</b>
<b>Total expenses</b>	<b>13,173,700</b>	<b>-</b>	<b>13,173,700</b>	<b>13,288,488</b>
Non-operating revenue (expense):				
Investment income	59	-	59	154,361
Loss on sale of long-lived assets	(36,398)	-	(36,398)	(148)
<b>Total non-operating</b>	<b>(36,339)</b>	<b>-</b>	<b>(36,339)</b>	<b>154,213</b>
<b>Change in net assets</b>	<b>69,611</b>	<b>(204,224)</b>	<b>(134,613)</b>	<b>40,947</b>
Net assets:				
Beginning of year	5,439,784	961,847	6,401,631	6,360,684
End of year	\$ 5,509,395	\$ 757,623	\$ 6,267,018	\$ 6,401,631

See Notes to Financial Statements.

# Eastern Illinois Foodbank

## Statement of Functional Expenses

Year Ended June 30, 2015, with Summarized Comparative Totals for Year Ended June 30, 2014

	Year Ended June 30, 2015					Year Ended
		Supporting Services			2015	June 30, 2014
	Program		Management		Total	Total
	Services	Fundraising	and General	Total	Expenses	Expenses
Personnel expenses:						
Salaries and wages	\$ 563,718	\$ 137,336	\$ 148,975	\$ 286,311	\$ 850,029	\$ 769,413
Employee benefits	95,414	23,245	25,215	48,460	143,874	127,422
Payroll taxes	44,468	10,833	11,752	22,585	67,053	60,650
<b>Total personnel expenses</b>	<b>703,600</b>	<b>171,414</b>	<b>185,942</b>	<b>357,356</b>	<b>1,060,956</b>	<b>957,485</b>
Operating expenses:						
Product acquisition:						
Foodmobile product costs	81,079	-	-	-	81,079	71,266
Food fund product	78,151	-	-	-	78,151	69,024
BackPack product costs	64,962	-	-	-	64,962	107,719
TANF purchased product	28,535	-	-	-	28,535	30,866
Designated donation product	28,355	-	-	-	28,355	28,844
Shared maintenance fees	24,938	-	-	-	24,938	35,776
Freight on donated product	24,069	-	-	-	24,069	32,312
VAP/product expenses	17,940	-	-	-	17,940	22,580
School pantry product cost	9,285	-	-	-	9,285	7,331
Senior grocery product costs	1,325	-	-	-	1,325	-
Community assistance	476	-	-	-	476	572
Healthy Futures cost	-	-	-	-	-	7,170
Occupancy and office:						
Printing and publications	2,843	157,618	120	157,738	160,581	138,500
Depreciation	146,216	732	1,420	2,152	148,368	136,168
Utilities	76,177	706	1,371	2,077	78,254	77,617
Office supplies	5,412	45,836	924	46,760	52,172	52,437
Fuel	50,759	-	-	-	50,759	57,135
Insurance	35,206	326	634	960	36,166	55,012
Vehicle maintenance/repairs	35,296	-	-	-	35,296	39,895
Professional services	21,129	4,813	5,236	10,049	31,178	55,038
Hosting/software & support	14,021	7,127	2,633	9,760	23,781	23,645
Agency capacity building costs	23,741	-	-	-	23,741	30,366
Training and education	13,007	3,965	5,912	9,877	22,884	26,699
Building maintenance	18,727	174	337	511	19,238	13,329
Warehouse equipment						
maintenance/repairs	16,928	-	-	-	16,928	32,084
Travel and transportation	11,128	3,403	1,550	4,953	16,081	18,037
Telephone	10,229	2,385	3,265	5,650	15,879	12,349
Membership dues and fees	9,611	2,737	2,558	5,295	14,906	14,226
Finance charges	2,077	7,112	168	7,280	9,357	8,455
Small equipment and furnishings	4,151	971	47	1,018	5,169	3,996
Warehouse supplies	4,909	-	-	-	4,909	5,041
Events	2,549	1,411	-	1,411	3,960	2,644
Office equipment						
maintenance/repair	1,479	482	241	723	2,202	1,846
Miscellaneous	901	226	150	376	1,277	975
<b>Total operating expenses</b>	<b>865,611</b>	<b>240,024</b>	<b>26,566</b>	<b>266,590</b>	<b>1,132,201</b>	<b>1,218,954</b>
Contributed food distributed						
and scrapped	10,980,543	-	-	-	10,980,543	11,112,049
<b>Total expenses</b>	<b>\$ 12,549,754</b>	<b>\$ 411,438</b>	<b>\$ 212,508</b>	<b>\$ 623,946</b>	<b>\$ 13,173,700</b>	<b>\$ 13,288,488</b>

See Notes to Financial Statements.

# Eastern Illinois Foodbank

## Statement of Cash Flows

Year Ended June 30, 2015, with Summarized Comparative Totals for Year Ended June 30, 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (134,613)	\$ 40,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized losses (gains) on investment	16,779	(137,015)
Depreciation	148,368	136,168
Loss on disposal of fixed assets	36,398	148
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(7,061)	1,858
Donated product inventory	135,730	68,758
Purchased product inventory	19,195	51,062
Prepaid expenses	(81,275)	(1,094)
Increase (decrease) in:		
Accounts payable and accrued expenses	49,610	(89,346)
Deferred revenue	10,477	(29,354)
<b>Net cash provided by operating activities</b>	<b>193,608</b>	<b>42,132</b>
Cash Flows from Investing Activities		
Proceeds from sale of investments	74,203	299,007
Purchases of investments	(64,424)	(247,306)
Purchases of certificates of deposit	(2,033)	(2,373)
Purchase of property and equipment	(340,024)	(68,496)
<b>Net cash used in investing activities</b>	<b>(332,278)</b>	<b>(19,168)</b>
Cash Flows from Financing Activities		
Payments on long-term debt	-	(75,000)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(75,000)</b>
<b>Net decrease in cash</b>	<b>(138,670)</b>	<b>(52,036)</b>
Cash:		
Beginning of year	941,369	993,405
End of year	<b>\$ 802,699</b>	<b>\$ 941,369</b>

See Notes to Financial Statements.



## Eastern Illinois Foodbank

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Summary of Significant Accounting Policies

**Nature of activities:** The Eastern Illinois Foodbank (EIF) is an Illinois not-for-profit corporation organized for the purpose of collecting, warehousing and distributing salvageable food to social service agencies that feed the needy. EIF is a member of the Feeding America National Foodbank Network (Feeding America), the nation's largest domestic hunger relief organization.

A summary of EIF's significant accounting policies is as follows:

**Basis of presentation:** The accompanying financial statements are presented using the accrual basis of accounting and are prepared to focus on EIF as a whole and to present balances and transactions in accordance with the existence or absence of donor-imposed restrictions.

**Revenue recognition:** Shared maintenance and purchased product program revenue are recognized when the related food is distributed. EIF also receives various grants from federal and private agencies which is recognized when the related program and supporting service expenses are incurred. Some of these grants are on a cost reimbursement basis, including recoverable overhead.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

**Concentration of risk:** EIF maintains a majority of its cash accounts in one commercial bank which at times exceed Federal Deposit Insurance Corporation limits. EIF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

**Certificates of deposit:** Certificates of deposit are carried at cost which approximates fair value due to their short duration of the instruments.

**Investments:** Investments, which consist primarily of mutual funds, are measured at fair value. Investment income (including realized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless restricted by the donor. Investment income which is subject to donor imposed restrictions is included in the change in temporarily restricted net income.

**Net asset classifications:** Net assets are segregated into three categories that are classified as unrestricted, temporarily restricted and permanently restricted. There are no permanently restricted net assets at June 30, 2015.

Unrestricted net assets are available for use by EIF at the discretion of its Board of Directors. Contributions received without specific restrictions from a donor or that arise as a result of activities of EIF are classified as unrestricted funds. EIF reports contributions of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets to a particular time or purpose. When a donor restriction expires, that is, when the stipulated time restriction ends or the purpose of the 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. Net assets that are subject to donor restrictions in gift instruments requiring assets to be held in perpetuity are classified as permanently restricted.

**Income tax status:** Eastern Illinois Foodbank qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore has no provision for federal income taxes. EIF is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years ended June 30, 2011 and prior.

**Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

EIF adopted the guidance for accounting for uncertainty income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statement. The guidance prescribes a more-likely-than-not recognition threshold and measurement attribute for financial statement recognition of a tax position taken or expected to be taken. Amounts requiring recognition under the guidance are reflected as a liability for uncertain tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination. There were no uncertain tax benefits identified or recorded as a liability as of June 30, 2015.

**Shared maintenance receivable:** Shared maintenance receivables (Note 7) are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. There was no allowance recorded as of June 30, 2015.

Shared maintenance receivables are written off when deemed uncollectible. Recoveries of shared maintenance receivables previously written off are recorded when received. No interest is charged on outstanding balances.

**Contributed food and inventories:** Food donated to EIF is capitalized as inventory and accounted for as unrestricted contributions, while food received as USDA commodities is recorded as temporarily restricted contributions until distributed to EIF's agencies. Contributed food and USDA commodities are valued at fair value on a first-in, first-out basis using a weighted average wholesale price per pound, as determined by the Feeding America National Foodbank Network. Purchased food is valued at invoice cost determined by the first-in, first-out method.

**Property and equipment:** Property and equipment are recorded at cost, if purchased, or at the estimated fair market value on the date acquired, if donated, less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets on the straight-line method as follows:

	Years
Office equipment and furniture	3 to 7
Warehouse equipment	3 to 7
Transportation equipment	5
North Shore building and improvements	3 to 39

**Impairment of long-lived assets:** EIF reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment is recognized as the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. As of June 30, 2015, EIF has not recognized any reduction in the carrying value of its long-lived assets.

**Donated materials and services:** Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated value at the date of receipt. EIF recorded the fair value of contributed services totaling \$3,453 and \$13,812 during the years ended June 30, 2015 and 2014, respectively, which is included in contributions in the statement of activities.

Notes to Financial Statements

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**Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)**

A substantial number of volunteers (including board members, volunteers from other organizations, and persons contributing court ordered public service) have donated significant amounts of their time to EIF's program services and to its effort in the acquisition of donated food for distribution to agencies. In accordance with accounting principles generally accepted in the United States of America, no amounts have been reflected in the statements for these donated services in as much as no objective basis is available to measure the value of such services.

**Deferred revenue:** Revenue from service fees and grants which are classified as exchange transactions are reported as deferred revenue until expended in accordance with the terms of the provider.

**Use of estimates in preparation of financial statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Summarized comparative financial information:** The financial statements include certain prior year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with EIF's financial statements for the year ended June 30, 2014, from which the summarized financial information was derived.

**Pending accounting pronouncement:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. Generally Accepted Accounting Procedures (GAAP). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The EIF has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

**Subsequent events:** All of the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. EIF does not recognize subsequent events that provide evidence about conditions that arose after the financial statement date but, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading.

EIF has evaluated subsequent events through December 4, 2015, the date on which the financial statements were available to be issued.

## Eastern Illinois Foodbank

### Notes to Financial Statements

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#### Note 2. Property and Equipment

The following is a summary of the property and equipment owned by EIF as of June 30:

	2015	2014
Land	\$ 105,000	\$ 105,000
North Shore building and improvements	1,664,182	1,655,935
Warehouse equipment	599,217	593,269
Transportation equipment	584,280	386,176
Office equipment and furniture	125,106	113,096
	<u>3,077,785</u>	<u>2,853,476</u>
Less accumulated depreciation	956,299	887,248
	<u>\$ 2,121,486</u>	<u>\$ 1,966,228</u>

#### Note 3. Fair Value Measurements

The following information is designed to enable the reader of the financial statements to assess the inputs used to develop fair value measurement by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are required to be classified and disclosed in one of three categories.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the standard establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2. Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3. Significant unobservable inputs that reflect a reporting entity's own assumptions about how other market participants would price an asset or liability.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is below.

**Shares of registered investment companies (mutual funds):** The fair value of shares of registered investment companies is valued at the net asset value (NAV) of the shares held by EIF. All funds are traded on the open market and are redeemable at any time.

# Eastern Illinois Foodbank

## Notes to Financial Statements

### Note 3. Fair Value Measurements (Continued)

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2015 and 2014, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value.

	2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 6,525	\$ 6,525	\$ -	\$ -
Shares of registered investment companies (mutual funds):				
Fixed income	532,366	532,366	-	-
International	262,318	262,318	-	-
Real estate	44,281	44,281	-	-
U.S. mid-cap and small-cap	234,809	234,809	-	-
U.S. value	135,145	135,145	-	-
	<u>\$ 1,215,444</u>	<u>\$ 1,215,444</u>	<u>\$ -</u>	<u>\$ -</u>
	2014			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 5,490	\$ 5,490	\$ -	\$ -
Shares of registered investment companies (mutual funds):				
Fixed income	528,372	528,372	-	-
International	274,714	274,714	-	-
Real estate	48,056	48,056	-	-
U.S. mid-cap and small-cap	243,321	243,321	-	-
U.S. value	142,049	142,049	-	-
	<u>\$ 1,242,002</u>	<u>\$ 1,242,002</u>	<u>\$ -</u>	<u>\$ -</u>

### Note 4. Investment Income

Investment income consists of the following for the year ended June 30:

	2015	2014
Dividends and interest	\$ 30,041	\$ 30,120
Management fees	(13,203)	(12,774)
Realized and unrealized gains in investments	(16,779)	137,015
	<u>\$ 59</u>	<u>\$ 154,361</u>

## Eastern Illinois Foodbank

### Notes to Financial Statements

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#### Note 5. Endowment Funds

EIF has a fund which has been designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The Board of Directors of EIF has interpreted the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. EIF does not currently possess any donor-restricted net assets. All assets discussed in this disclosure are board-designated and classified in unrestricted net assets.

The changes in endowment net assets as of June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,242,002	\$ -	\$ -	\$ 1,242,002
Net investment income	(375)	-	-	(375)
Net unrealized and realized gains from investments	(16,779)	-	-	(16,779)
Appropriation of endowment assets for expenditure	(23,352)	-	-	(23,352)
Endowment net assets, end of year	<u>\$ 1,201,496</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,201,496</u>

#### Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires EIF to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2015.

#### Return Objectives and Risk Parameters

EIF has adopted an investment policy that attempts to maximize total return consistent with an acceptable risk level. Endowment assets are invested in a portfolio with a diversified asset mix, which includes targets of 55 percent equity and 45 percent fixed income. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to expose the fund to acceptable levels of risk.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the EIF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). EIF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## Eastern Illinois Foodbank

### Notes to Financial Statements

#### Note 5. Endowment Funds (Continued)

##### Spending Policy and How the Investment Objectives Relate to Spending Policy

Interest earnings from the board-designated endowment are designated for agency capacity building to include, but not limited to, infrastructure projects such as expansion of space or cold storage. EIF's spending policy of the endowment fund is set at 3 percent as long as the investment value is above \$1,000,000; if below this balance, the spending percentage decreases according to the spending policy. Accordingly, over the long term, the EIF expects the spending policy to allow its endowment to steadily grow each year. This is consistent with the EIF's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### Note 6. Grant and Other Support Revenue

Temporarily restricted as of June 30, 2015 and 2014 were as follows:

		Temporarily Restricted June 30, 2014	Revenue	Net Assets Released from Restrictions	Temporarily Restricted June 30, 2015
<u>Government Grants and Contracts:</u>					
IDHS - Distribution of commodities	(1)	\$ -	\$ 164,331	\$ (164,331)	\$ -
IDHS - USDA commodities	(1)	856,126	2,279,438	(2,584,122)	551,442
		<u>856,126</u>	<u>2,443,769</u>	<u>(2,748,453)</u>	<u>551,442</u>
<u>Other Grants:</u>					
City of Urbana - food distribution	(2)	-	11,200	(11,200)	-
BackPack Program					
United Way	(3)	-	12,250	(12,250)	-
Other	(3)	-	11,976	(11,976)	-
FoodMobile Program	(4)	-	48,463	(48,463)	-
One-time grants		-	260,101	(260,101)	-
		<u>-</u>	<u>343,990</u>	<u>(343,990)</u>	<u>-</u>
Other Support - contributions		105,721	126,219	(25,759)	206,181
		<u>\$ 961,847</u>	<u>\$ 2,913,978</u>	<u>\$ (3,118,202)</u>	<u>\$ 757,623</u>

- (1) Illinois Department of Human Services: EIF received a \$164,331 grant covering the state fiscal period July 1, 2014 through June 30, 2015, for the distribution of USDA commodities and to assist in the development of emergency pantries in outlying areas. As part of this grant, EIF also received USDA commodities, valued at \$2,279,438, and distributed commodities valued at \$2,584,122. At June 30, 2015, there were USDA commodities on hand valued at \$551,442 and classified as temporarily restricted.
- (2) City of Urbana: A social service grant to help fund food distribution to residents of Urbana and support services.
- (3) BackPack program: Grants to support the BackPack program which provides food to students in Champaign County.
- (4) FoodMobile program: Grants to support the FoodMobile program which provided food and other household necessities to income-eligible individuals and families in eastern Illinois.

## Eastern Illinois Foodbank

### Notes to Financial Statements

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#### Note 7. Shared Maintenance Revenue

EIF recognized \$299,976 and \$98,438 of shared maintenance and purchased product program revenue, respectively, during the year ended June 30, 2015. Shared maintenance revenue is recognized on the basis of pounds of product distributed to participating social service agencies. Donated products are distributed at a maximum shared maintenance fee of \$0.19 per pound. On the average, \$0.06 per pound in shared maintenance was generated from donated product during the year ended June 30, 2015. Purchased product program revenue is comprised of a fee charged to social service agencies for storage and handling of product which is purchased by EIF. The purchased product revenue is net of \$655,162 of purchase product cost.

#### Note 8. Inventories and Change in Estimate

The majority of the food distributed has been donated. The following presents a summary of food donated and distributed:

	Pounds	Value
Inventories, beginning of year	902,660	\$ 1,552,575
Donated food	6,379,302	10,844,813
Less:		
Food distributed	(6,167,163)	(10,502,231)
Food scrapped	(281,360)	(478,312)
Donated inventories, end of year	833,439	\$ 1,416,845

Inventories at year-end included 509,061 pounds of donated product and 324,378 pounds of USDA commodities.

**Purchased product:** EIF's inventory included food and grocery items purchased through a Purchased Product (PP) program; this product is stated at cost in the financial statements. At June 30, 2015, there were 244,311 pounds of PP product in inventory valued at \$157,398.

#### Note 9. Retirement Plan

EIF has a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) plan under Section 408(p) of the Internal Revenue Code. Eligibility is limited to employees receiving at least \$3,000 of compensation for the current and preceding calendar years. EIF contributes a matching amount equal to the eligible employee's salary reduction contributions up to a limit of 3 percent of the employee's compensation for the calendar year. The total amount of matching contributions for the years ended June 30, 2015, and 2014 was \$17,827 and \$16,605, respectively, and is included in employee benefits in the statement of functional expenses.

#### Note 10. Functional Allocation of Expenses

The costs of providing the food distribution program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### Note 11. Commitments and Contingencies

EIF receives a substantial amount of support in donated products and services from the private and public sectors. If a significant reduction in the level of these donations and grants were to occur, this could have an effect on EIF's food distribution program and activities.



## **Supplementary Information**

**Eastern Illinois Foodbank**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>Emergency Food Assistance - Cluster</b>			
Pass-Through Programs from Illinois Department of Human Services:			
Emergency Food Assistance Programs -			
Administration	10.568*	81XM241000	\$ 134,509
Food commodities	10.569*	81XM241000	<u>908,240</u>
<b>Total Emergency Food Assistance Cluster</b>			<u>1,042,749</u>
U.S. Department of Health and Human Services:			
Pass-Through Program from Illinois Department of Human Services:			
Temporary Assistance for Needy Families	93.558	81XM241000	<u>29,822</u>
Department of Homeland Security:			
Pass-Through Program from United Way:			
Emergency Food and Shelter Program	97.024	N/A	<u>16,470</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 1,089,041</u></u>

\*Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards.

CFDA: Catalog of Federal Domestic Assistance

N/A: Not Applicable

## Eastern Illinois Foodbank

### Notes to Schedule of Expenditures of Federal Awards

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#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eastern Illinois Foodbank 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, *Audit of States, Local Governments, and Non-Profit Organizations*; therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

#### Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Eastern Illinois Foodbank provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Emergency Food Assistance Program - Food commodities	10.569	\$ 908,240
Temporary Assistance for Needy Families*	93.558	29,822
Emergency Food and Shelter Program*	97.024	<u>16,470</u>
Total amount provided to subrecipients		<u>\$ 954,532</u>

\* This award was used to purchase commodities that were distributed to EIF's subrecipients.

#### Note 3. Non-Cash Assistance

Non-cash assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2015, the Eastern Illinois Foodbank had USDA food commodities totaling \$551,442 in inventory.

#### Note 4. Loans Outstanding

EIF had no loans outstanding related to federal programs as of June 30, 2015.

#### Note 5. Insurance

EIF maintains property and liability insurance which management believes is sufficient to meet its needs. None of the insurance coverages are directly funded by federal awards.

**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***

RSM US LLP

**Independent Auditor's Report**

To the Board of Directors  
Eastern Illinois Foodbank  
Urbana, 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 Eastern Illinois Foodbank, which comprise the statement of financial position as of June 30, 2015, 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 December 4, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eastern Illinois Foodbank'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 Eastern Illinois Foodbank's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Illinois Foodbank'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 the entity'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 Eastern Illinois Foodbank'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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Champaign, Illinois  
December 4, 2015

**Report on Compliance for Each Major Program  
and Report on Internal Control Over Compliance**

RSM US LLP

**Independent Auditor's Report**

To the Board of Directors  
Eastern Illinois Foodbank  
Urbana, Illinois

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

We have audited Eastern Illinois Foodbank'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 Eastern Illinois Foodbank's major federal programs for the year ended June 30, 2015. Eastern Illinois Foodbank's major federal programs are identified in the summary of auditor's 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Eastern Illinois Foodbank'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 Eastern Illinois Foodbank'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 the major federal program. However, our audit does not provide a legal determination of Eastern Illinois Foodbank's compliance.

**Opinion on the Major Federal Program**

In our opinion, Eastern Illinois Foodbank 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 June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Eastern Illinois Foodbank 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 the Eastern Illinois Foodbank'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 the Eastern Illinois Foodbank'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.

*RSM US LLP*

Champaign, Illinois  
December 4, 2015

**Eastern Illinois Foodbank**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

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**I. Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified

Internal control over financial reporting:

■ Material weakness(es) identified?	_____ Yes	_____ X	No
■ Significant deficiency(ies) identified?	_____ Yes	_____ X	None reported

Noncompliance material to financial statements noted?	_____ Yes	_____ X	No
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**Federal Awards**

Internal control over the programs:

■ Material weakness(es) identified?	_____ Yes	_____ X	No
■ Significant deficiency(ies) identified?	_____ Yes	_____ X	None reported

Type of auditor's 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 Circular A-133?	_____ Yes	_____ X	No
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Identification of major programs:

CFDA Number(s)

10.568 and 10.569

Name of Federal Program or Cluster

Emergency Food Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs

\_\_\_\_\_ \$300,000

Auditee qualified as low-risk auditee?

_____ X	Yes	_____	No
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**II. Financial Statement Findings**

None Noted

**III. Findings and Questioned Costs for Federal Awards**

None Noted



**Eastern Illinois Foodbank**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015**

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**I. Summary Schedule of Prior Audit Findings**

A. Internal Control Findings

None identified

B. Compliance Findings

None identified

**II. Findings and Questioned Costs for Federal Awards**

A. Reportable Conditions in Internal Control

None identified

B. Compliance Findings

None identified