

Eastern Illinois Foodbank

Financial and Compliance Report
June 30, 2018

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RSM US LLP

Independent Auditor's Report

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, 2018, 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Eastern Illinois Foodbank's 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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.

The accompanying supplementary information consisting of the Grant Allowable Cost Summary, Unallowable Cost Report and Consolidated Yearend Financial Report for the fiscal year ended June 30, 2018, all of which are included in prescribed forms (supplementary information), is presented for purposes of additional analysis, as required by the Illinois Department of Human Services, 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 January 22, 2019 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 the effectiveness of Eastern Illinois Foodbank's 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
January 22, 2019

Eastern Illinois Foodbank

Statement of Financial Position

June 30, 2018, with Summarized Comparative Totals as of June 30, 2017

	June 30, 2018			June 30, 2017 Total
	Unrestricted	Temporarily Restricted	2018 Total	
Assets				
Current assets:				
Cash	\$ 422,613	\$ 487,850	\$ 910,463	\$ 708,460
Certificates of deposit	419,188	-	419,188	620,467
Shared maintenance receivable	8,271	-	8,271	27,781
Grant receivables	18,672	-	18,672	1,500
Inventories:				
Donated product	661,774	394,905	1,056,679	1,666,301
Purchased product	221,816	-	221,816	194,885
Prepaid expenses	61,530	-	61,530	54,062
Total current assets	1,813,864	882,755	2,696,619	3,273,456
Long-term assets:				
Investments	1,244,386	-	1,244,386	1,287,173
Property and equipment, net of accumulated depreciation	2,216,687	-	2,216,687	2,195,670
Total long-term assets	3,461,073	-	3,461,073	3,482,843
Total assets	\$ 5,274,937	\$ 882,755	\$ 6,157,692	\$ 6,756,299
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 91,916	\$ -	\$ 91,916	\$ 69,244
Accrued wages and payroll taxes	62,654	-	62,654	80,135
Accrued vacation	82,482	-	82,482	77,327
Deferred revenue	22,672	-	22,672	50,049
Total liabilities	259,724	-	259,724	276,755
Net assets:				
Unrestricted:				
Undesignated	3,785,848	-	3,785,848	4,257,757
Board designated	1,229,365	-	1,229,365	1,216,160
Temporarily restricted	-	882,755	882,755	1,005,627
Total net assets	5,015,213	882,755	5,897,968	6,479,544
Total liabilities and net assets	\$ 5,274,937	\$ 882,755	\$ 6,157,692	\$ 6,756,299

See notes to financial statements.

Eastern Illinois Foodbank

Statement of Activities

Year Ended June 30, 2018, with Summarized Comparative Totals for Year Ended June 30, 2017

	Year Ended June 30, 2018			Year Ended
	Unrestricted	Temporarily Restricted	2018 Total	June 30, 2017 Total
Public support and revenue:				
Public support:				
Contributed food	\$ 12,317,411	\$ -	\$ 12,317,411	\$ 13,611,882
Contributions	1,426,441	420,688	1,847,129	1,562,624
Government grants and contracts	-	2,590,571	2,590,571	3,615,588
United Way	158,214	-	158,214	159,535
Other grants	-	222,355	222,355	339,691
Total public support	13,902,066	3,233,614	17,135,680	19,289,320
Revenue:				
Shared maintenance and purchased product program	471,412	-	471,412	507,288
Delivery income	32,950	-	32,950	30,900
Other income	3,146	-	3,146	2,654
Total revenue	507,508	-	507,508	540,842
Net assets released from restrictions	3,356,486	(3,356,486)	-	-
Total public support and revenue	17,766,060	(122,872)	17,643,188	19,830,162
Expenses:				
Program services	17,446,757	-	17,446,757	19,096,027
Supporting services:				
Fundraising services	574,408	-	574,408	461,489
Management and general	258,219	-	258,219	256,548
Total supporting services	832,627	-	832,627	718,037
Total expenses	18,279,384	-	18,279,384	19,814,064
Non-operating revenue (expense):				
Investment income	55,058	-	55,058	122,940
Loss on disposal of property and equipment	(438)	-	(438)	-
Total non-operating	54,620	-	54,620	122,940
Change in net assets	(458,704)	(122,872)	(581,576)	139,038
Net assets:				
Beginning of year	5,473,917	1,005,627	6,479,544	6,340,506
End of year	\$ 5,015,213	\$ 882,755	\$ 5,897,968	\$ 6,479,544

See notes to financial statements.

Eastern Illinois Foodbank

Statement of Functional Expenses
Year Ended June 30, 2018, with Summarized Comparative Totals for Year Ended June 30, 2017

	Year Ended June 30, 2018				2018 Total Expenses	Year Ended June 30, 2017 Total Expenses
	Program Services	Supporting Services		Total		
		Fundraising	Management and General			
Personnel expenses:						
Salaries and wages	\$ 745,038	\$ 203,155	\$ 178,397	\$ 381,552	\$ 1,126,590	\$ 1,047,566
Employee benefits	149,031	40,637	35,685	76,322	225,353	211,769
Payroll taxes	63,412	17,291	15,184	32,475	95,887	85,977
Total personnel expenses	957,481	261,083	229,266	490,349	1,447,830	1,345,312
Operating expenses:						
Product acquisition:						
Food fund product	154,388	-	-	-	154,388	162,458
Foodmobile product costs	95,717	-	-	-	95,717	93,879
Shared maintenance fees	55,080	-	-	-	55,080	64,232
BackPack product costs	44,000	-	-	-	44,000	61,332
TANF purchased product	39,878	-	-	-	39,878	40,647
Freight on donated product	29,875	-	-	-	29,875	41,756
School pantry product cost	25,364	-	-	-	25,364	11,794
Pop Up VA Pantry	25,051	-	-	-	25,051	23,090
Designated donation product	11,986	-	-	-	11,986	22,886
VAP/product expenses	9,294	-	-	-	9,294	7,224
Community assistance	5,453	-	-	-	5,453	1,876
Senior grocery product costs	3,139	-	-	-	3,139	8,152
Occupancy and office:						
Depreciation	171,141	646	729	1,375	172,516	172,915
Printing and publications	2,162	168,584	104	168,688	170,850	157,020
Utilities	90,397	1,043	1,176	2,219	92,616	88,036
Professional services	58,717	8,225	8,057	16,282	74,999	41,526
Fuel	70,682	-	-	-	70,682	56,055
Office supplies	4,415	62,316	821	63,137	67,552	65,764
Insurance	51,389	594	670	1,264	52,653	50,759
Hosting/software and support	29,905	17,601	3,473	21,074	50,979	41,455
Vehicle maintenance/repairs	50,096	-	-	-	50,096	47,460
Events	2,630	26,572	273	26,845	29,475	6,824
Agency capacity building costs	28,935	-	-	-	28,935	136,444
Building maintenance	24,506	281	317	598	25,104	14,812
Travel and transportation	17,742	3,084	3,434	6,518	24,260	24,748
Training and education	15,657	4,644	2,837	7,481	23,138	22,201
Warehouse equipment maintenance/repairs	16,700	-	-	-	16,700	32,205
Membership dues and fees	9,687	2,989	2,309	5,298	14,985	18,899
Telephone	9,303	2,160	3,175	5,335	14,638	14,721
Warehouse supplies	13,345	-	-	-	13,345	6,620
Finance charges	1,271	11,273	304	11,577	12,848	10,593
Small equipment and furnishings	6,811	1,160	445	1,605	8,416	6,390
Office equipment maintenance/repair	2,743	1,667	588	2,255	4,998	4,217
Miscellaneous	2,670	486	241	727	3,397	3,503
Total operating expenses	1,180,129	313,325	28,953	342,278	1,522,407	1,562,493
Contributed food distributed and scrapped	15,309,147	-	-	-	15,309,147	16,906,259
Total expenses	\$ 17,446,757	\$ 574,408	\$ 258,219	\$ 832,627	\$ 18,279,384	\$ 19,814,064

See notes to financial statements.

Eastern Illinois Foodbank

Statement of Cash Flows

Year Ended June 30, 2018, with Summarized Comparative Totals for Year Ended June 30, 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (581,576)	\$ 139,038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(22,815)	(91,857)
Loss on disposal of property and equipment	438	-
Depreciation	172,516	172,915
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	2,338	3,694
Donated product inventory	609,622	(108,955)
Purchased product inventory	(26,931)	(72,618)
Prepaid expenses	(7,468)	10,749
Increase (decrease) in:		
Accounts payable and accrued expenses	10,346	25,639
Deferred revenue	(27,377)	20,299
Net cash provided by operating activities	129,093	98,904
Cash flows from investing activities:		
Proceeds from sale of investments	195,925	226,287
Purchases of investments	(130,323)	(238,498)
Net proceeds (purchases) of certificates of deposit	201,279	(3,084)
Purchase of property and equipment	(193,971)	(317,732)
Net cash provided by (used in) investing activities	72,910	(333,027)
Net increase (decrease) in cash	202,003	(234,123)
Cash:		
Beginning of year	708,460	942,583
End of year	\$ 910,463	\$ 708,460

See notes to financial statements.

Eastern Illinois Foodbank

Notes to Financial Statements

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

Nature of activities: 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 revenue 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 exceeds 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 the short duration of the instruments.

Investments: Investments, which consist primarily of mutual funds, are measured at fair value or net asset 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.

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. There are no permanently restricted net assets at June 30, 2018.

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, 2014, and prior.

Eastern Illinois Foodbank

Notes to Financial Statements

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

EIF adopted the guidance for accounting for uncertainty in income taxes. This guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. 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, 2018.

Shared maintenance receivables: Shared maintenance receivables (see Note 6) 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. Management determined that no allowance was necessary as of June 30, 2018.

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:

	<u>Years</u>
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, 2018, 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 \$0 and \$2,500 during the years ended June 30, 2018 and 2017, respectively, which is included in contributions in the statement of activities.

Eastern Illinois Foodbank

Notes to Financial Statements

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 revenue 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, 2017, from which the summarized financial information was derived.

Pending accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In 2016, ASU 2016-12 was issued that narrows and clarifies aspects of Topic 606, ASU 2016-08 was issued that includes amendments that clarify the implementation guidance on principal versus agent considerations, and ASU 2016-10 was issued that included guidance on identifying performance obligations and licensing. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The EIF has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance amends the requirements for financial statements and notes presented by a not-for-profit entity to a) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes; b) present on the face of the statement of activities the amount of the change in either of the two classes of net assets rather than that of the currently required three classes; c) provide enhanced disclosures in the notes to the financial statements; d) report investment return net of external and direct internal investment expenses; and e) utilize, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset. The ASU will be effective for the EIF's June 30, 2019, financial statements. Early application is permitted. Retrospective application is required for many provisions of this guidance. The EIF is currently evaluating the effect of the new standard on the financial statements.

Eastern Illinois Foodbank

Notes to Financial Statements

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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance applies to entities that receive or make contributions. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. ASU 2018-08 requires modified prospective transition to arrangements that have not been completed as of the effective date or that are entered into after the effective date, but full retrospective application to each period is permitted. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019, with early application permitted. The EIF is currently evaluating the effect of the new standard on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance removes certain disclosures, modifies certain disclosures and added additional disclosures. The ASU will be effective for the EIF's June 30, 2021, financial statements. Certain disclosures in ASU 2018-13 would need to be applied on a retrospective basis and others on a prospective basis. The EIF is currently evaluating the effect of the new standard 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 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 January 22, 2019, the date on which the financial statements were available to be issued.

Note 2. Property and Equipment

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

	2018	2017
Land	\$ 210,201	\$ 210,101
North Shore building and improvements	1,680,811	1,680,811
Warehouse equipment	698,016	699,191
Transportation equipment	889,831	737,218
Office equipment and furniture	128,213	135,271
Work in progress	7,310	-
	<u>3,614,382</u>	<u>3,462,592</u>
Less accumulated depreciation	1,397,695	1,266,922
	<u>\$ 2,216,687</u>	<u>\$ 2,195,670</u>

Eastern Illinois Foodbank

Notes to Financial Statements

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.

Money market funds: Money market funds are valued at cost which is a reasonable estimate of fair value.

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. The majority of the 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 tables summarize the assets measured at fair value on a recurring basis as of June 30, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value. One investment was carried at net asset value as of June 30, 2017 and was transferred to shares of registered investment companies and reported as a Level 1 fair value as of June 30, 2018, as the investment became a publicly traded security during the year.

	2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 5,192	\$ 5,192	\$ -	\$ -
Shares of registered investment companies (mutual funds):				
Fixed income	491,668	491,668	-	-
International	239,605	239,605	-	-
Real estate	44,726	44,726	-	-
U.S. mid-cap and small-cap	266,061	266,061	-	-
U.S. value	127,504	127,504	-	-
		<u>\$ 1,174,756</u>	<u>\$ -</u>	<u>\$ -</u>
Other, carried at net asset value*	69,630			
	<u>\$ 1,244,386</u>			
	2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Money market funds	\$ 4,820	\$ 4,820	\$ -	\$ -
Shares of registered investment companies (mutual funds):				
Fixed income	501,566	501,566	-	-
International	247,344	247,344	-	-
Real estate	43,780	43,780	-	-
U.S. mid-cap and small-cap	234,448	234,448	-	-
U.S. value	133,101	133,101	-	-
		<u>\$ 1,165,059</u>	<u>\$ -</u>	<u>\$ -</u>
Other, carried at net asset value*	122,114			
	<u>\$ 1,287,173</u>			

* In accordance with Accounting Standards Codification Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Eastern Illinois Foodbank

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

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

	2018	2017
Dividends and interest	\$ 44,387	\$ 43,075
Management fees	(12,144)	(11,992)
Realized and unrealized gains on investments	22,815	91,857
	<u>\$ 55,058</u>	<u>\$ 122,940</u>

The following table sets forth additional disclosures for EIF's investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2018:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global credit fund	(1) <u>\$ 69,630</u>	<u>\$ -</u>	Quarterly	Twenty business days from the offer mailing date

- (1) This fund invests primarily in global corporate credit, including loans, bonds and other credit instruments that companies use to finance their operations. The fair value of the investment in this class has been estimated using the net asset value of the Company's shares of common stock. The quarterly repurchases will be conducted on such terms as may be determined by the Board of Directors of the investment in its complete and absolute discretion unless, in the judgment of the independent trustees, such repurchases would not be in the best interest of the shareholders or would violate applicable law. The redemptions will be limited each quarter to 5 percent.

Note 4. 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.

Eastern Illinois Foodbank

Notes to Financial Statements

Note 4. Endowment Funds (Continued)

The changes in endowment net assets as of June 30, 2018, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,216,160	\$ -	\$ -	\$ 1,216,160
Net investment income	27,090	-	-	27,090
Net unrealized and realized gains from investments	22,815	-	-	22,815
Appropriation of endowment assets for expenditure	(36,700)	-	-	(36,700)
Endowment net assets, end of year	<u>\$ 1,229,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,229,365</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, 2018.

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.

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 are 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 of the fair value of the total investments at June 30th 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.

Eastern Illinois Foodbank

Notes to Financial Statements

Note 5. Grants and Other Support Revenue

Temporarily restricted net assets as of June 30, 2018 and 2017, were as follows:

		Temporarily Restricted June 30, 2017	Revenue	Net Assets Released from Restrictions	Temporarily Restricted June 30, 2018
<u>Government Grants and Contracts:</u>					
IDHS - Distribution of commodities	(1)	\$ -	\$ 208,457	\$ (208,457)	\$ -
IDHS - USDA commodities	(1)	784,906	2,382,114	(2,772,115)	394,905
		<u>784,906</u>	<u>2,590,571</u>	<u>(2,980,572)</u>	<u>394,905</u>
<u>Other Grants:</u>					
City of Urbana - food distribution	(2)	-	9,900	(9,900)	-
BackPack program:					
Other	(3)	-	6,100	(6,100)	-
FoodMobile program	(4)	37,830	62,742	(58,536)	42,036
One-time grants		-	212,455	(212,455)	-
		<u>37,830</u>	<u>291,197</u>	<u>(286,991)</u>	<u>42,036</u>
Other support - contributions		182,891	351,846	(88,923)	445,814
		<u>\$ 1,005,627</u>	<u>\$ 3,233,614</u>	<u>\$ (3,356,486)</u>	<u>\$ 882,755</u>

- (1) Illinois Department of Human Services: EIF received a \$208,457 grant covering the state fiscal period July 1, 2017 through June 30, 2018, 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 \$2,382,114, and distributed commodities valued at \$2,772,115. At June 30, 2018, there were USDA commodities on hand valued at \$394,905 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 provides food and other household necessities to income-eligible individuals and families in eastern Illinois.

Note 6. Shared Maintenance Revenue

EIF recognized \$369,679 and \$101,733 of shared maintenance and purchased product program revenue, respectively, during the year ended June 30, 2018. 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 average, \$0.05 per pound in shared maintenance was generated from donated product during the year ended June 30, 2018. 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 \$683,634 of purchased product cost.

Eastern Illinois Foodbank

Notes to Financial Statements

Note 7. Inventories

The majority of the food distributed has been donated. The following presents a summary of food donated and distributed as of June 30, 2018:

	Pounds	Value
Inventories, beginning of year	1,026,054	\$ 1,666,301
Donated food	8,849,062	14,699,525
Less:		
Food distributed	(8,659,833)	(14,352,160)
Food scrapped	(569,838)	(956,987)
Donated inventories, end of year	<u>645,445</u>	<u>\$ 1,056,679</u>

Inventories at year-end included 251,532 pounds of donated product and 393,913 pounds of USDA commodities.

Purchased product: EIF's inventory includes food and grocery items purchased through a Purchased Product (PP) program; this product is stated at cost in the financial statements. At June 30, 2018, there were 396,473 pounds of PP product in inventory valued at \$221,816.

Note 8. 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, 2018 and 2017, was \$24,907 and \$23,919, respectively, and is included in employee benefits in the statement of functional expenses.

Note 9. 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 10. 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



GRANT ALLOWABLE COST SUMMARY

GRANT REPORT for the period July 1 through June 30, 2018

AGENCY NAME: Eastern Illinois Foodbank

FEIN: 37-1130252

		IDHS GRANT - FUNDED SERVICES					ALL OTHER PROGRAMS	MANAGEMENT & GENERAL	TOTAL
		PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5			
PROGRAM NAME/NUMBER/ ONTRACT NUMBER/OTHER IDENTIFICATION		Emergency Foc							
A	DIRECT PROGRAM EXPENSES							\$208,457.48	\$208,457.48
B	ALLOCATE MANAGEMENT AND GENERAL COSTS (NOTE 1)	\$208,457.48						- 208,457.48	-0-
C	SUBTOTAL A & B	\$208,457.48						-0-	
D	SUBTRACT UNALLOWABLE COST PER PAGE 2								
E	ADD OTHER APPROVED USES (ATTACH DOCUMENTATION)								
F	TOTAL ALLOWABLE COSTS	\$208,457.48							
G	SPECIAL PROVISIONS (SEE INSTUCTIONS)								
H	INTEREST EARNED (SEE INSTRUCTIONS)								

NOTE 1: Management and General costs are allocated based on: direct salaries, total direct costs, other basis (attach explanation).

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>



UNALLOWABLE COST REPORT

Agency Name: Eastern Illinois Foodbank

FEIN: 37-1130252

	IDHS GRANT-FUNDED SERVICES				
	PROGRAM 1	PROGRAM 2	PROGRAM 3	PROGRAM 4	PROGRAM 5
Program Name/Number/Contract Number	Agency Food Proc				
Unallowable Costs (see instructions)					
Compensation of Governing Body					
Entertainment					
Associate Dues					
Meetings and Conventions					
Fundraising					
Bad Debt					
Charity and Grants					
Unallowable Interest					
Inventories					
Depreciation of IDHS - Funded Assets					
Cost of Production					
In-Kind Expenses					
Alcoholic Beverages					
Personal Automobile					
Fines and Penalties					
Personal Use Items					
Lobbying					
Unallowable Relocation					
Gratuities					
Political Contributions					
Related Party Transactions					
Costs Where a Conflict of Interest Exists					
Unallowable Cost if Program is Federally Funded or Cost Restricted by Contract (See Instructions)					
Explain:					
Explain:					
Total Unallowable Costs (to line D of Grant Report) - See below if None					
If no unallowable costs are listed, sign and date as follows: I certify that no unallowable costs are included in either direct costs or allocated Management and General costs on the Grant Report.					

Printed Name: Kelly W. Daly

Title: Senior Vice President

Signature: _____

Kelly W. Daly

Date: 12/24/18

Please visit the following IDHS web page for the instructions mentioned in this form (these instructions are listed in each fiscal years financial reporting web link): <http://www.dhs.state.il.us/page.aspx?item=59675>

Illinois Grant Accountability and Transparency Act Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#) / Program

The CYEFR has been submitted. If changes are needing, contact your state cognizant agency.

Agency	Department Of Human Services (444)
Program	Emergency Food Assistance Program (Administrative Costs) (444-80-0166) <i>This program as added due to awards found in the CSFA. It cannot be removed.</i>
Program Limitations	No
Mandatory Match %	No
Indirect Cost Rate	0.00
Indirect Cost Rate Base	

Category	State Amount	Federal Amount	Match Amount	Total
Personal Services (Salaries and Wages)	0.00	167,426.48	0.00	167,426.48
Fringe Benefits	0.00	0.00	0.00	0.00
Travel	0.00	0.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00
Supplies	0.00	0.00	0.00	0.00
Contractual Services	0.00	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00	0.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	0.00	0.00	0.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	0.00	0.00
Miscellaneous Costs	0.00	0.00	0.00	0.00
Third-party in-kind contributions	0.00	0.00	0.00	0.00
Total Direct Expenses	0.00	167,426.48	0.00	167,426.48
Indirect Costs	0.00	0.00	0.00	0.00
Total Expenses	0.00	167,426.48	0.00	167,426.48

Illinois Grant Accountability and Transparency Act Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#) / Program

The CYEFR has been submitted. If changes are needing, contact your state cognizant agency.

Agency	Department Of Human Services (444)
Program	Temporary Assistance for Needy Families (444-80-0205) <i>This program as added due to awards found in the CSFA. It cannot be removed.</i>
Program Limitations	No
Mandatory Match %	No
Indirect Cost Rate	0.00
Indirect Cost Rate Base	

Category	State Amount	Federal Amount	Match Amount	Total
Personal Services (Salaries and Wages)	0.00	0.00	0.00	0.00
Fringe Benefits	0.00	0.00	0.00	0.00
Travel	0.00	0.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00
Supplies	0.00	0.00	0.00	0.00
Contractual Services	0.00	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00	0.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	0.00	0.00	0.00
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	0.00	0.00
Miscellaneous Costs	0.00	41,031.00	0.00	41,031.00
Total Direct Expenses	0.00	41,031.00	0.00	41,031.00
Indirect Costs	0.00	0.00	0.00	0.00
Total Expenses	0.00	41,031.00	0.00	41,031.00

Illinois Grant Accountability and Transparency Act Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#) / Program

The CYEFR has been submitted. If changes are needing, contact your state cognizant agency.

Program	Other grant programs and activities		
Category	Direct Federal	Other Amount	Total
Personal Services (Salaries and Wages)	0.00	0.00	0.00
Fringe Benefits	0.00	0.00	0.00
Travel	0.00	0.00	0.00
Equipment	0.00	0.00	0.00
Supplies	0.00	0.00	0.00
Contractual Services	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00
Construction	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	0.00	0.00
Research and Development	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	0.00
Miscellaneous Costs	1,385,563.27	0.00	1,385,563.27
Total Direct Expenses	1,385,563.27	0.00	1,385,563.27

Eastern Illinois Foodbank

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Emergency Food Assistance - Cluster				
U.S. Department of Health and Human Services:				
Pass-Through Program from Illinois Department of Human Services:				
Emergency Food Assistance Programs:				
Administrative costs	10.568*	81XM241000	\$ -	\$ 167,426
Food commodities	10.569*	81XM241000	1,385,563	1,385,563
Total Emergency Food Assistance - Cluster			<u>1,385,563</u>	<u>1,552,989</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	41,031	41,031
Total expenditures of federal awards			<u>\$ 1,426,594</u>	<u>\$ 1,594,020</u>

* Denotes a major program.

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

See notes to schedule of expenditures of federal awards.

CFDA: Catalog of Federal Domestic Assistance

Eastern Illinois Foodbank

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Eastern Illinois Foodbank (EIF) under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of EIF, it is not intended to and does not present the financial position, changes in net assets, or cash flows of EIF.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. EIF has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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, 2018, EIF had USDA food commodities totaling \$394,905 in inventory.

Note 4. Loans Outstanding

EIF had no loans outstanding related to federal programs as of June 30, 2018.

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***

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, 2018, 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 January 22, 2019.

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
January 22, 2019



RSM US LLP

**Report on Compliance for the Major Federal Program and
Report on Internal Control Over Compliance as Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors
Eastern Illinois Foodbank
Urbana, Illinois

Report on Compliance for the Major Federal Program

We have audited Eastern Illinois Foodbank's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Eastern Illinois Foodbank's major federal program for the year ended June 30, 2018. Eastern Illinois Foodbank's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Eastern Illinois Foodbank's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of 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 Eastern Illinois Foodbank's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Champaign, Illinois
January 22, 2019

Eastern Illinois Foodbank

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

I. Summary of Independent Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- | | | |
|---|---------------------------------|--|
| ■ Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| ■ Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over the programs:

- | | | |
|---|---------------------------------|--|
| ■ Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| ■ Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> 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 2 CFR 200.516(a)? | <u> </u> Yes | <u> X </u> No |
|--|---------------------------------|---------------------------------|

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs	<u> </u> \$750,000
---	---------------------------------------

- | | | |
|--|----------------------------------|--------------------------------|
| Auditee qualified as low-risk auditee? | <u> X </u> Yes | <u> </u> No |
|--|----------------------------------|--------------------------------|

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, 2018**

I. Financial Statement 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