

**Northern Illinois Food Bank**

**Financial Statements  
and  
Independent Auditor's Report  
For the Year Ended  
June 30, 2008**

**Wolf & Company LLP**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northern Illinois Food Bank

We have audited the accompanying statements of financial position of NORTHERN ILLINOIS FOOD BANK (a non-profit organization) as of June 30, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Food Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Illinois Food Bank as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 15, 2008, on our consideration of Northern Illinois Food Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits.

Oak Brook, Illinois  
October 15, 2008

*Wolf & Company LLP*

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF FINANCIAL POSITION

June 30, 2008

ASSETS

	Unrestricted	Temporarily Restricted	Total
Current assets:			
Cash and cash equivalents	\$ 455,487	\$ 479,004	\$ 934,491
Investments	895,189	-	895,189
Accounts receivable	213,317	-	213,317
Inventory	3,717,443	-	3,717,443
Prepaid expenses	20,820	-	20,820
Total current assets	5,302,256	479,004	5,781,260
Property and equipment, net of accumulated depreciation	2,707,472	516,298	3,223,770
Other assets:			
Deposits and coupons	2,818	-	2,818
Total assets	\$ 8,012,546	\$ 995,302	\$ 9,007,848

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable	\$ 158,021	\$ -	\$ 158,021
Accrued wages	157,912	-	157,912
Other accrued expenses	271,204	-	271,204
Due to agencies	83,773	-	83,773
Total current liabilities	670,910	-	670,910
Long-term debt	852,443	-	852,443
Total liabilities	1,523,353	-	1,523,353
Net assets:			
Unrestricted net assets:			
Designated by the Board of Directors for:			
General operations	485,448	-	485,448
Capital improvement	105,000	-	105,000
Equipment purchases	96,200	-	96,200
Facilities expansion	104,800	-	104,800
Undesignated	5,697,745	-	5,697,745
Total unrestricted net assets	6,489,193	-	6,489,193
Temporarily restricted net assets	-	995,302	995,302
Total net assets	6,489,193	995,302	7,484,495
Total liabilities and net assets	\$ 8,012,546	\$ 995,302	\$ 9,007,848

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF FINANCIAL POSITION  
 June 30, 2007

ASSETS

	Unrestricted	Temporarily Restricted	Total
Current assets:			
Cash and cash equivalents	\$ 404,668	\$ 74,843	\$ 479,511
Investments	463,548	30,000	493,548
Accounts receivable	164,878	-	164,878
Inventory	3,980,750	-	3,980,750
Prepaid expenses	39,489	-	39,489
Total current assets	5,053,333	104,843	5,158,176
Property and equipment, net of accumulated depreciation	2,617,360	516,298	3,133,658
Other assets:			
Deposits and coupons	3,026	-	3,026
Total assets	\$ 7,673,719	\$ 621,141	\$ 8,294,860

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable	\$ 114,139	\$ -	\$ 114,139
Accrued wages	140,208	-	140,208
Other accrued expenses	131,261	-	131,261
Due to agencies	51,301	-	51,301
Total current liabilities	436,909	-	436,909
Long-term debt	900,443	-	900,443
Total liabilities	1,337,352	-	1,337,352
Net assets:			
Unrestricted net assets:			
Designated by the Board of Directors for:			
General operations	485,448	-	485,448
Capital improvement	105,000	-	105,000
Equipment purchases	96,200	-	96,200
Facilities expansion	104,800	-	104,800
Undesignated	5,544,919	-	5,544,919
Total unrestricted net assets	6,336,367	-	6,336,367
Temporarily restricted net assets	-	621,141	621,141
Total net assets	6,336,367	621,141	6,957,508
Total liabilities and net assets	\$ 7,673,719	\$ 621,141	\$ 8,294,860

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2008

	Unrestricted		Total Unrestricted	Temporarily Restricted	Total
	Foodbank Operations	Donated Food			
Support and revenue:					
Contributions and grants	\$ 2,424,075	\$ -	\$ 2,424,075	\$ 620,435	\$ 3,044,510
Fees and grants from government agencies	3,165,386	-	3,165,386	-	3,165,386
Program service fees	3,670,420	-	3,670,420	-	3,670,420
Rental income	24,560	-	24,560	-	24,560
Investment income	33,682	-	33,682	-	33,682
Other income	36,743	-	36,743	-	36,743
Donated goods and services	<u>24,506</u>	<u>25,686,834</u>	<u>25,711,340</u>	<u>-</u>	<u>25,711,340</u>
 Total support and revenue	 <u>9,379,372</u>	 <u>25,686,834</u>	 <u>35,066,206</u>	 <u>620,435</u>	 <u>35,686,641</u>
 Net assets released from restrictions	 <u>246,274</u>	 <u>-</u>	 <u>246,274</u>	 <u>(246,274)</u>	 <u>-</u>
Expenses:					
Programs:					
Foodbank operations	<u>7,673,766</u>	<u>26,029,836</u>	<u>33,703,602</u>	<u>-</u>	<u>33,703,602</u>
Supporting services:					
Management and general	490,339	-	490,339	-	490,339
Fund raising	<u>965,713</u>	<u>-</u>	<u>965,713</u>	<u>-</u>	<u>965,713</u>
 Total supporting services	 <u>1,456,052</u>	 <u>-</u>	 <u>1,456,052</u>	 <u>-</u>	 <u>1,456,052</u>
 Total expenses	 <u>9,129,818</u>	 <u>26,029,836</u>	 <u>35,159,654</u>	 <u>-</u>	 <u>35,159,654</u>
 Change in net assets	 495,828	 (343,002)	 152,826	 374,161	 526,987
Net assets:					
Beginning of year	<u>2,829,321</u>	<u>3,507,046</u>	<u>6,336,367</u>	<u>621,141</u>	<u>6,957,508</u>
 End of year	 <u>\$ 3,325,149</u>	 <u>\$ 3,164,044</u>	 <u>\$ 6,489,193</u>	 <u>\$ 995,302</u>	 <u>\$ 7,484,495</u>

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2007

	Unrestricted			Temporarily Restricted	Total
	Foodbank Operations	Donated Food	Total Unrestricted		
Support and revenue:					
Contributions and grants	\$ 1,785,854	\$ -	\$ 1,785,854	\$ 106,694	\$ 1,892,548
Fees and grants from government agencies	2,961,083	-	2,961,083	-	2,961,083
Program service fees	3,035,439	-	3,035,439	-	3,035,439
Rental income	24,480	-	24,480	-	24,480
Investment income	24,865	-	24,865	-	24,865
Other income	10,578	-	10,578	-	10,578
Donated goods and services	<u>11,348</u>	<u>23,867,168</u>	<u>23,878,516</u>	<u>-</u>	<u>23,878,516</u>
 Total support and revenue	 <u>7,853,647</u>	 <u>23,867,168</u>	 <u>31,720,815</u>	 <u>106,694</u>	 <u>31,827,509</u>
 Net assets released from restrictions	 <u>50,601</u>	 <u>-</u>	 <u>50,601</u>	 <u>(50,601)</u>	 <u>-</u>
Expenses:					
Programs:					
Foodbank operations	<u>6,670,788</u>	<u>23,917,830</u>	<u>30,588,618</u>	<u>-</u>	<u>30,588,618</u>
Supporting services:					
Management and general	474,779	-	474,779	-	474,779
Fund raising	<u>457,902</u>	<u>-</u>	<u>457,902</u>	<u>-</u>	<u>457,902</u>
 Total supporting services	 <u>932,681</u>	 <u>-</u>	 <u>932,681</u>	 <u>-</u>	 <u>932,681</u>
 Total expenses	 <u>7,603,469</u>	 <u>23,917,830</u>	 <u>31,521,299</u>	 <u>-</u>	 <u>31,521,299</u>
 Change in net assets	 300,779	 (50,662)	 250,117	 56,093	 306,210
Net assets:					
Beginning of year	<u>2,528,542</u>	<u>3,557,708</u>	<u>6,086,250</u>	<u>565,048</u>	<u>6,651,298</u>
 End of year	 <u>\$ 2,829,321</u>	 <u>\$ 3,507,046</u>	 <u>\$ 6,336,367</u>	 <u>\$ 621,141</u>	 <u>\$ 6,957,508</u>

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2008

	<u>Programs</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Food Bank Operations</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Employee expenses:				
Staff salaries	\$ 1,353,630	\$ 361,068	\$ 320,306	\$ 2,035,004
Payroll taxes	129,221	31,686	29,973	190,880
Health insurance	148,731	19,532	31,263	199,526
Retirement plan	31,492	9,688	7,685	48,865
	<u>1,663,074</u>	<u>421,974</u>	<u>389,227</u>	<u>2,474,275</u>
Total employee expenses				
Other expenses:				
Supplies	233,433	1,351	1,910	236,694
Transportation	406,529	-	-	406,529
Maintenance	57,262	-	-	57,262
Professional/Consulting fees	50,494	13,114	101,404	165,012
Consulting fees (subscription)	12,062	7,287	7,254	26,603
Telephone	31,282	4,269	1,100	36,651
Postage and shipping	8,091	2,865	4,930	15,886
Equipment	66,921	1,105	1,105	69,131
Mortgage interest	46,952	2,200	2,200	51,352
Rent	98,621	-	-	98,621
Electric	95,590	3,050	3,050	101,690
Heating and gas	54,202	2,000	2,000	58,202
Water and sewer	1,474	47	47	1,568
Garbage	35,439	100	100	35,639
Printing	13,896	868	2,091	16,855
Conferences and meetings	72,633	1,350	960	74,943
Promotional	63,609	-	325,157	388,766
Volunteer development	2,602	5,019	785	8,406
Insurance	134,296	4,286	4,286	142,868
Licenses, fees and permits	31,535	-	-	31,535
Miscellaneous	28,397	1,492	14,675	44,564
Fund raising	11,043	3,150	88,620	102,813
Food distributions	27,581,127	-	-	27,581,127
Donated goods and services	24,506	-	-	24,506
Purchased food distributed	2,611,919	-	-	2,611,919
	<u>31,773,915</u>	<u>53,553</u>	<u>561,674</u>	<u>32,389,142</u>
Total other expenses				
Total expenses before depreciation	33,436,989	475,527	950,901	34,863,417
Depreciation of buildings and equipment	266,613	14,812	14,812	296,237
Total expenses	<u>\$ 33,703,602</u>	<u>\$ 490,339</u>	<u>\$ 965,713</u>	<u>\$ 35,159,654</u>

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2007

	<u>Programs</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Food Bank Operations</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Employee expenses:				
Staff salaries	\$ 1,377,755	\$ 341,664	\$ 194,421	\$ 1,913,840
Payroll taxes	128,448	31,104	21,300	180,852
Health insurance	147,431	17,695	23,504	188,630
Retirement plan	37,723	10,339	6,152	54,214
Total employee expenses	<u>1,691,357</u>	<u>400,802</u>	<u>245,377</u>	<u>2,337,536</u>
Other expenses:				
Supplies	135,976	3,502	3,485	142,963
Transportation	285,199	-	302	285,501
Maintenance	42,793	-	-	42,793
Professional/Consulting fees	83,153	2,780	2,486	88,419
Consulting fees (subscription)	14,409	1,255	1,139	16,803
Telephone	27,845	5,629	920	34,394
Postage and shipping	9,299	2,478	8,171	19,948
Equipment	47,832	1,740	1,642	51,214
Mortgage interest	48,627	2,702	2,702	54,031
Rent	99,380	-	-	99,380
Electric	80,822	4,490	4,490	89,802
Heating and gas	49,365	2,743	2,743	54,851
Water and sewer	1,315	80	46	1,441
Garbage	20,773	-	-	20,773
Printing	12,117	1,418	3,858	17,393
Conferences and meetings	46,169	6,195	8,007	60,371
Promotional	89,550	3,162	100,698	193,410
Volunteer development	3,100	1,765	905	5,770
Insurance	96,920	15,889	-	112,809
Licenses, fees and permits	32,845	-	-	32,845
Miscellaneous	18,252	5,366	1,398	25,016
Fund raising	9,017	-	69,278	78,295
Food distributions	25,402,202	-	-	25,402,202
Donated goods and services	10,883	210	255	11,348
Purchased food distributed	1,990,529	-	-	1,990,529
Total other expenses	<u>28,658,372</u>	<u>61,404</u>	<u>212,525</u>	<u>28,932,301</u>
Total expenses before depreciation	30,349,729	462,206	457,902	31,269,837
Depreciation of buildings and equipment	<u>238,889</u>	<u>12,573</u>	<u>-</u>	<u>251,462</u>
Total expenses	<u>\$ 30,588,618</u>	<u>\$ 474,779</u>	<u>\$ 457,902</u>	<u>\$ 31,521,299</u>

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Cash received from support and revenue	\$ 8,389,875	\$ 6,497,708
Cash paid to suppliers and employees	<u>(7,068,482)</u>	<u>(5,968,330)</u>
Net cash provided by operating activities	<u>1,321,393</u>	<u>529,378</u>
Cash flows from investing activities:		
Purchase of property and equipment	(386,671)	(81,874)
Purchase of investments	<u>(431,742)</u>	<u>(239,547)</u>
Net cash used in investing activities	<u>(818,413)</u>	<u>(321,421)</u>
Cash provided by (used in) financing activities:		
Net mortgage activity	<u>(48,000)</u>	<u>(48,000)</u>
Net increase in cash and cash equivalents	454,980	159,957
Cash and cash equivalents:		
Beginning of year	<u>479,511</u>	<u>319,554</u>
End of year	<u>\$ 934,491</u>	<u>\$ 479,511</u>
<u>Reconciliation of changes in net assets to net cash provided by operating activities:</u>		
Change in net assets	\$ 526,987	\$ 306,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	296,237	251,462
Non-cash contributions received	(26,917,781)	(25,329,801)
Non-cash contributions made	27,592,010	25,413,085
Changes in operating assets and liabilities:		
Decrease in accounts receivable	(48,439)	(11,922)
(Increase) decrease in purchased inventory	(64,793)	(10,338)
(Increase) decrease in prepaid expenses	18,669	(8,418)
Increase (decrease) in accounts payable	43,882	(10,611)
Decrease in accrued expenses	(157,643)	(84,540)
Decrease in other assets	(208)	-
Increase in due to agencies	<u>32,472</u>	<u>14,251</u>
Total adjustments	<u>794,406</u>	<u>223,168</u>
Net cash provided by operating activities	<u>\$ 1,321,393</u>	<u>\$ 529,378</u>

See accompanying notes to financial statements and independent auditor's report.

NORTHERN ILLINOIS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS

1. Organization

Northern Illinois Food Bank (the "Food Bank") was organized as a not-for-profit corporation under the laws of the State of Illinois on September 15, 1982. The Food Bank is a member of America's Second Harvest, the Nation's Food Bank Network. The mission of the Food Bank is to provide nutritious food to all those in need through our own efforts and those of our non-profit partners. The Food Bank provides leadership to serve the disadvantaged by effectively securing and distributing food and related products to agencies serving those in need and to develop an awareness of hidden hunger and initiate programs designed to eliminate it. The Food Bank's major sources of revenue are received from contributions, grants and program service fees.

2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the Food Bank have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and, accordingly, reflect all significant receivables, payables and other liabilities. The significant policies followed are described below to enhance the usefulness of the financial statements to the user.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Food Bank is required to report information regarding its financial position and activities according to three classes of net assets based on the absence or existence and nature of donor imposed restrictions as follows:

**Unrestricted Net Assets** - Amounts included in this class represent resources not subject to donor imposed restrictions which can be used for any purpose consistent with the mission of the Food Bank. Unrestricted net assets may be further classified into designated and undesignated with designated assets representing funds set aside at the discretion of the Board for certain purposes.

**Temporarily Restricted Net Assets** - Amounts in this class represent resources that are subject to specific donor imposed restrictions to be used for a specific purpose or a stated period of time.

**Permanently Restricted Net Assets** - Amounts in this class represent resources which are to be permanently used for a specific purpose determined by the donor. There were no permanently restricted net assets as of June 30, 2008 and 2007.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Food Bank considers all highly liquid investments purchased with an initial maturity of three months or less to be cash and cash equivalents.

Money market funds maintained in brokerage accounts are considered to be investments in the statement of financial position.

NORTHERN ILLINOIS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Contributions - The Food Bank accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. 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.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Investments – Investments are reported at their fair values. Unrealized gains and losses are included in the change in net assets.

Property and Equipment - Property and equipment are stated at cost, with the exception of donated property which is recorded at fair market value on the date of the donation. All expenditures for fixed assets over \$2,500 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Useful Lives</u>
Building and improvements	5 - 39 years
Furniture and equipment	5 - 10 years
Computers	3 years
Vehicles	5 years

Maintenance and repair costs are expensed as incurred.

Donations of property are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Food Bank reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Contributed Services - Contributions of services are recognized as revenue by the Food Bank when the services received either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers provide non-specialized services to the Food Bank throughout the year; however, no amounts are recorded in the financial statements.

NORTHERN ILLINOIS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Cont.)

Income Tax Status - The Food Bank is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Food Bank's tax-exempt purpose is subject to taxation as unrelated business income.

Accounts Receivable - Accounts receivable are valued at management's estimate of the amount that will ultimately be collected. The Food Bank uses the direct write-off method for uncollectible accounts.

Concentrations - The Food Bank routinely maintains balances at financial institutions in excess of federally insured amounts.

Inventory - Purchased inventory is valued at lower of cost or market, using the first-in, first-out ("FIFO") method. Donated inventory is valued based on a survey published by Feeding America (formerly America's Second Harvest).

Use of Estimates - 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting period. Actual results could differ from those estimates.

3. Investments

The cost and fair value of investments held by the Food Bank as of June 30, 2008 and 2007 consist of the following:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 600,568	\$ 600,568	\$ 72,662	\$ 72,662
Certificates of deposit	<u>294,000</u>	<u>294,621</u>	<u>421,000</u>	<u>420,886</u>
	<u>\$ 894,568</u>	<u>\$ 895,189</u>	<u>\$ 493,662</u>	<u>\$ 493,548</u>

The investment return as of June 30 is as follows:

	<u>2008</u>	<u>2007</u>
Interest	\$ 29,383	\$ 25,693
Dividends	6,177	-
Realized loss on sale of securities	(1,257)	-
Unrealized loss	<u>(621)</u>	<u>(828)</u>
	<u>\$ 33,682</u>	<u>\$ 24,865</u>

NORTHERN ILLINOIS FOOD BANK  
NOTES TO FINANCIAL STATEMENTS

4. Change in Donated Inventory Estimates

The Food Bank has historically valued its donated food inventory activity based on the results of a national valuation survey developed by Feeding America (formerly America's Second Harvest), the oversight organization for food banks in the United States. The Feeding America valuation provides a per pound value for multiple categories of food. Historically, the Food Bank has utilized an all category value per pound to value its year end donated inventory as well as food donations received and distributed throughout the year.

In 2008, the Food Bank determined that the standard product mix reflected in the Feeding America national valuation survey was no longer representative of the Food Bank's inventory product mix. The Food Bank collects and distributes significantly more meat and cleaning products and has a lower mix of produce items. The Food Bank believes that valuing the donated inventory activity based upon the respective Food Bank inventory product mix is a more accurate reflection of the value of donated inventory. Therefore, a change in estimate has been made in the financial statements for the year ended June 30, 2008. The effect of this change on ending inventory was to increase the value of donated inventory by \$1,085,242. Revenue associated with the donated inventory increased by \$5,381,894; the value of food distributed increased by \$3,938,348.

Had the pricing policy been in effect for the year ended June 30, 2007, the ending inventory value for donated inventory would have been increased by \$358,304. Revenue would have increased by \$4,615,083 and expenses would have increased by \$2,319,938.

5. Inventory

Inventory at June 30 is comprised of the following:

	2008	2007
Donated	\$ 3,183,701	\$ 3,511,802
Purchased	420,478	341,380
USDA (EFP)	113,264	127,568
	\$ 3,717,443	\$ 3,980,750

6. Property and Equipment

The Food Bank's property and equipment at June 30, 2008 and 2007 are summarized as follows:

	2008	2007
Land	\$ 750,000	\$ 750,000
Averill Road property	32,938	-
Building and improvements	3,212,201	3,188,043
Furniture and equipment	453,175	442,734
Computer	236,862	178,593
Vehicles	979,540	765,688
	5,664,716	5,325,058
Less: accumulated depreciation	2,440,946	2,191,400
	\$ 3,223,770	\$ 3,133,658

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7. Long-term Debt

The Food Bank is obligated under a line of credit agreement dated February 13, 2003, in the amount of \$1,503,420, bearing interest originally at 5.5% and adjusted annually. At June 30, 2008, the interest rate was 5.75%. Monthly payments of interest are required with any unpaid principal due in a balloon payment on January 13, 2010. The note is secured by a mortgage and assignment of rents. At June 30, 2008 and 2007, \$852,443 and \$900,443, respectively, was outstanding. Interest paid in this obligation was \$51,352 and \$54,031 for the years ended June 30, 2008 and 2007, respectively.

8. Operating Leases

The Food Bank leases the facilities for its branch locations under operating leases. The leases are for one-year terms with provisions for renewal. Expense under these leases for the years ended June 30, 2008 and 2007 was \$98,621 and \$99,380, respectively.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	2008	2007
Purpose restricted, primarily Capital Campaign	\$ 479,004	\$ 104,843
Twenty year use restriction on building expiring in 2016	516,298	516,298
	\$ 995,302	\$ 621,141

10. Food Distribution

During the years ended June 30, 2008 and 2007, the Food Bank distributed approximately 13,965,973 and 14,419,500 pounds of donated food, respectively, to member agencies. The distributed food is valued at \$1.75 and \$1.69 per pound, which amounts to \$26,029,836 and \$23,917,830 in 2008 and 2007, respectively. The value of donated food on hand at June 30, 2008 and 2007 is reported on the statement of financial position and in Note 4 in accordance with the provisions of SFAS No. 136, *Transfers of Assets to a Not-for-Profit Organization or a Charitable Trust That Raises or Holds Contributions for Others*, which requires the Food Bank to record the value of donated food as inventory and revenue when the Food Bank has unilateral power to redirect the transfer of the food to another beneficiary.

11. Retirement Plan

The Food Bank sponsors a deferred compensation plan qualified under Section 401k of the Internal Revenue Code. The plan covers all eligible employees and is subject to a vesting schedule for employer contributions. The Food Bank contributes annually 2% of considered compensation and also provides for a matching contribution on 50% of employee contributions, up to 2%. For the years ended June 30, 2008 and 2007, employer contributions were \$48,865 and \$54,215, respectively.

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12. Related Parties

One of the board members provided architectural services to the Food Bank and received \$19,575 in fees. A second board member received \$1,013 in legal fees.

13. Subsequent Event

The Food Bank entered into an agreement to purchase a parcel of real estate on which it plans to construct a new facility. The cost of the land was \$2.3 million, of which \$1.3 million was financed with a bank loan.