

AURORA AREA INTERFAITH
FOOD PANTRY, INC.

MODIFIED CASH BASIS FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
for the year ended July 31, 2015

Weber & Associates CPAs, LLC
Certified Public Accountants

AURORA AREA INTERFAITH FOOD PANTRY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aurora Area Interfaith Food Pantry, Inc.
Aurora, Illinois

We have audited the accompanying financial statements of Aurora Area Interfaith Food Pantry, Inc. (a not-for-profit organization) which comprise the statement of assets, liabilities, and net assets - modified cash basis as of July 31, 2015, and the related statement of revenues, expenses and changes in net assets - modified cash basis, 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 assets, liabilities, and net assets of Aurora Area Interfaith Food Pantry, Inc. as of July 31, 2015, and its revenues, expenses and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - modified cash basis on page 11 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.

Aches & Associates

Aurora, Illinois
January 20, 2016

AURORA AREA INTERFAITH FOOD PANTRY, INC.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
as of July 31, 2015

ASSETS

Current assets:	
Cash	\$ 117,174
Refundable deposit	<u>2,280</u>
	<u>119,454</u>
Property and equipment:	
Property and equipment	1,209,424
Less accumulated depreciation	<u>(126,250)</u>
	<u>1,083,174</u>
Other assets:	
Community Foundation Food Pantry Fund	<u>3,655</u>
TOTAL ASSETS	<u>\$ 1,206,283</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities:	
Payroll taxes payable and other payroll liabilities	<u>\$ 8,551</u>
	<u>8,551</u>
Long term liabilities:	
Notes payable	<u>237,500</u>
Total liabilities	<u>246,051</u>
Net assets:	
Unrestricted:	
Undesignated	939,975
Board designated	3,655
Temporarily restricted	<u>16,602</u>
	<u>960,232</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,206,283</u>

See accompanying notes to financial statements.

AURORA AREA INTERFAITH FOOD PANTRY, INC.
Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis
for the year ended July 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contributions, gifts and grants	\$ 342,429	\$ 75,687	\$ 418,116
Food contributions	5,429,216	-	5,429,216
Donated services	53,034	-	53,034
Interest and dividends	980	-	980
Realized and unrealized gain	212	-	212
Special events	194,303	-	194,303
Net assets released from restrictions	68,152	(68,152)	-
Total revenues and other support	6,088,326	7,535	6,095,861
 Expenses			
Program services	5,834,788	-	5,834,788
Management and general	235,171	-	235,171
Fundraising	187,248	-	187,248
Total expenses	6,257,207	-	6,257,207
Change in net assets	(168,881)	7,535	(161,346)
Net assets, beginning of year	<u>1,112,511</u>	<u>9,067</u>	<u>1,121,578</u>
Net assets, end of year	\$ 943,630	\$ 16,602	\$ 960,232

See accompanying notes to financial statements.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

1. ORGANIZATION AND PURPOSE

The Aurora Area Interfaith Food Pantry, Inc. (Food Pantry) is a not-for-profit organization that was organized by local individuals, community churches and church groups in 1981. Its objective is to provide food assistance to members of the community who are food insecure and have difficulty meeting their basic nutritional needs on their own. The Food Pantry is supported primarily through donor contributions, as well as grants from private foundations, local and state governmental units, and the Federal Government's Emergency Food and Shelter Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The records of the Food Pantry are maintained on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America primarily because the Food Pantry has not recognized receivables, prepayments and payables. The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Donated Services and Materials

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

Property and equipment acquired by purchase are stated at cost while those acquired by gift are stated at the fair market value at time of receipt. Only major replacements and improvements are capitalized and included in the property and equipment account. Depreciation has been provided using the straight-line method over the estimated useful lives of the related assets.

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The Food Pantry classifies net assets as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets of the Food Pantry are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets of the Food Pantry result (a) from contributions and other inflows of assets whose use by the Food Pantry is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Food Pantry pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expirations by passage of time, or their fulfillment and removal by actions of the Food Pantry pursuant to those stipulations. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Permanently restricted net assets of the Food Pantry result (a) from contributions and other inflows of assets whose use by the Food Pantry is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Food Pantry, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

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

Advertising Costs

The Food Pantry expenses advertising costs as incurred. Expenses incurred were \$29,445 for the year ended July 31, 2015.

3. IN-KIND CONTRIBUTIONS

Donated services in the amount of \$53,034 are recognized in the statement of revenues, expenses and changes in net assets - modified cash basis as revenue and expense for the year ended July 31, 2015.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

3. IN-KIND CONTRIBUTIONS (continued)

A substantial amount of food is donated to the Food Pantry. The Organization has an adequate system of tracking and valuation of food donated and includes the value of the contributed food in the financial statements. Management has estimated the retail value of such donations at a value of \$1.90 per donated pound. The total value of such donations is recorded as both revenue and expense in the statement of revenues, expenses, and changes in net assets - modified cash basis. The Food Pantry recorded \$5,429,216 of donated food in the year ended July 31, 2015.

4. COMMUNITY FOUNDATION ENDOWMENT FUND

In 1998 the Food Pantry established an endowment fund with the Community Foundation of the Fox River Valley to be used for support of the mission or activities of the Pantry. The fund is considered property of the Foundation and the Foundation has ultimate authority and control over all property in the fund and the income derived therefrom. At least annually, the Foundation may distribute the fund's net income to the Pantry, or the Pantry may elect to accumulate the income. At July 31, 2015 the fair value of the endowment fund was \$85,622. Transfers to the Food Pantry Fund were \$25,000 for the year ended July 31, 2015.

5. COMMUNITY FOUNDATION FOOD PANTRY FUND

The Community Foundation Food Pantry Fund is an externally administered fund reported as an other asset of the Food Pantry.

Following is a summary of the investment income reported in the statement of revenues, expenses and changes in net assets - modified cash basis:

Interest and dividends	\$ 159
Realized and unrealized gain	212
Total investment return	<u><u>\$ 371</u></u>

6. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

6. FAIR VALUE MEASUREMENTS (continued)

The Food Pantry uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Food Pantry measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at July 31, 2015 are as follows:

<u>Investment:</u>	Fair Value	Significant Observable Inputs	(Level 2)
Community Foundation Food Pantry Fund	\$ 3,655	\$ 3,655	\$ 3,655

Level 2 Fair Value Measurements

The fair value of the Community Foundation Food Pantry Fund for which quoted market prices are not available is valued based on the fair market values of the individual assets held by the Fund.

7. PROPERTY AND EQUIPMENT

Investment in property and equipment consists of the following at July 31, 2015:

Building	\$ 378,458
Building Improvements	725,975
Furniture and equipment	104,991
Less accumulated depreciation	(126,250)
Total	<u><u>\$ 1,083,174</u></u>

On November 18, 2013, the Food Pantry opened for distribution in the new building. The Food Pantry's new building was partially acquired with loan funds received from the City of Aurora under a Community Development Block Grant Subrecipient Agreement. Under the terms of this contract, title to the property reverts to the City if the property is used for any purpose other than a regional food pantry, the Food Pantry files bankruptcy, transfers or encumbers the real estate, or fails to properly maintain the property.

Depreciation expense was \$42,489 for the year ended July 31, 2015.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

8. LONG TERM DEBT

The Food Pantry entered into agreements with the City of Aurora and Kane County, Illinois dated March 14, 2012, to obtain financing for the purchase of a building on Jericho Road to be used for Food Pantry operations. Both loans were funded through the U.S. Department of Housing and Urban Development. Each agreement specifies that if the Food Pantry complies with various terms, each loan will be forgiven without interest at maturity.

If there is any default on the specified provisions of the loan agreements, the unpaid balances are payable immediately.

At July 31, 2015, long term debt consists of the following:

Mortgage - City of Aurora, matures March 14, 2017, 0.00% interest rate, collateralized by the Jericho Road property	\$ 187,500
Mortgage - Kane County, matures March 14, 2032, 0.00% interest rate, collateralized by the Jericho Road property	<u>50,000</u>
	\$ 237,500

9. CONCENTRATION OF CREDIT RISK

The Food Pantry maintains cash balances at four financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times there were balances in the banks that were over the FDIC limit. The Food Pantry has not experienced any loss in such accounts. As of July 31, 2015, there were no uninsured cash balances. The Food Pantry believes it is not exposed to any significant credit risk on its cash balances.

10. RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Temporarily restricted net assets at July 31, 2015 are restricted for the following:

Electronic floor scale	\$ 676
Electronic pallet truck scale	1,750
Peanut butter	613
CFL bulb program	563
Refrigerated truck	<u>13,000</u>
	\$ 16,602

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2015

10. RESTRICTIONS AND DESIGNATIONS OF NET ASSETS (continued)

At July 31, 2015, the Food Pantry had Board designated net assets totaling \$3,655, which consists of the investment in the Community Foundation Food Pantry Fund.

11. RETIREMENT PLAN

Retirement benefits for the Food Pantry are provided through a Simple IRA plan. During the year ended July 31, 2015, the Food Pantry elected to make a dollar match of elective deferrals up to 3% of each eligible employee's compensation. The Food Pantry's retirement plan expense for the year ended July 31, 2015 was \$5,229.

12. INCOME TAXES

The Food Pantry has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has determined that the Food Pantry had no uncertain income tax positions that would require financial statement disclosure. The Food Pantry files income tax returns in the U.S. federal jurisdiction and the state of Illinois. The Food Pantry is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2012.

13. LEASE COMMITMENTS

The Food Pantry leases certain equipment on a periodic basis. Rent expense was \$3,931 for the year ended July 31, 2015.

14. COLLABORATIVE PROGRAM

The Food Pantry and Marie Wilkinson Food Pantry entered into an agreement to participate in the Holiday Matching Pallet Program, a cooperative food drive, to fill both their new warehouses with food to feed more than 1,000 families each week in the local community. During the year ended July 31, 2015, the Food Pantry collected \$74,825 in relation to this program, and \$26,453 was paid to Marie Wilkinson Food Pantry and recorded as a pass thru contribution on the statement of functional expenses.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 20, 2016, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Schedule of Functional Expenses - Modified Cash Basis

for the year ended July 31, 2015

	Management			
	Program Services	and General	Fund- raising	Total
Personnel costs:				
Compensation	\$ 182,768	\$ 49,648	\$ 67,373	\$ 299,789
Payroll taxes and fees	20,604	5,742	7,431	33,777
Other employee benefits	1,149	375	375	1,899
Retirement plan	3,241	994	994	5,229
Total personnel costs	207,762	56,759	76,173	340,694
Other expenses:				
Contributed food distributed	5,429,216	-	-	5,429,216
Purchased food distributed	91,464	-	-	91,464
Events expense	-	-	67,120	67,120
Advertising and promotion	5,783	-	23,663	29,446
Occupancy	12,696	4,695	2,348	19,739
Telephone	2,699	2,167	2,167	7,033
Office supplies	1,000	662	1,000	2,662
Printing	1,000	-	-	1,000
Contribution to endowment fund	-	25,000	-	25,000
Pass thru contribution	-	26,453	-	26,453
Postage	283	1,120	2,828	4,231
Equipment rental	7,544	488	487	8,519
Vehicle expense	5,801	-	-	5,801
Repairs and maintenance	7,888	5,119	-	13,007
Conferences and meetings	2,822	10,058	6,058	18,938
Professional services	12,203	44,381	-	56,584
Insurance	10,957	1,583	-	12,540
Other supplies	2,432	315	-	2,747
Depreciation	-	42,489	-	42,489
Fundraising	-	-	5,404	5,404
Food for Thought	18,063	-	-	18,063
Building expense	15,175	7,885	-	23,060
Miscellaneous	-	5,997	-	5,997
Total other expenses	5,627,026	178,412	111,075	5,916,513
Total expenses	\$ 5,834,788	\$ 235,171	\$ 187,248	\$ 6,257,207