

AURORA AREA INTERFAITH
FOOD PANTRY, INC.

MODIFIED CASH BASIS FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
for the year ended July 31, 2019

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, 2019, and the related statements of revenues, expenses and changes in net assets - modified cash basis and functional expenses - 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.

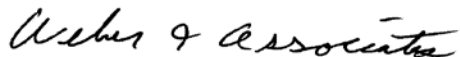
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, and its support, 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.



Aurora, Illinois
June 19, 2020

AURORA AREA INTERFAITH FOOD PANTRY, INC.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
as of July 31, 2019

ASSETS

Current assets:

Cash	\$ 8,258
	8,258

Property and equipment:

Property and equipment	1,571,924
Less accumulated depreciation	(351,475)
	1,220,449

Other assets:

Community Foundation Food Pantry Fund	17,061
	17,061

TOTAL ASSETS	\$ 1,245,768
	1,245,768

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities:

Payroll taxes payable and other payroll liabilities	\$ 373
Accounts payable	4,386
	4,759

Long-term liabilities:

Note payable	50,000
Total liabilities	54,759

Net assets:

Without donor restrictions

Undesignated	1,171,979
Board designated	17,061
Total without donor restrictions	1,189,040

With donor restriction

	1,969
Total net assets	1,191,009

TOTAL LIABILITIES AND NET ASSETS	\$ 1,245,768
	1,245,768

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions, gifts and grants	\$ 566,272	\$ 11,875	\$ 578,147
Food contributions	5,008,446	-	5,008,446
Donated services and equipment	3,433	-	3,433
Interest and dividends	798	-	798
Net realized and unrealized gain	548	-	548
Special events	140,480	-	140,480
Net assets released from restrictions	28,180	(28,180)	-
Total revenues and other support	<u>5,748,157</u>	<u>(16,305)</u>	<u>5,731,852</u>
Expenses			
Program services	5,522,908	-	5,522,908
Supporting services			
Management and general	211,105	-	211,105
Fundraising	117,825	-	117,825
Total expenses	<u>5,851,838</u>	<u>-</u>	<u>5,851,838</u>
Change in net assets	(103,681)	(16,305)	(119,986)
Net assets, beginning of year	<u>1,292,721</u>	<u>18,274</u>	<u>1,310,995</u>
Net assets, end of year	<u>\$ 1,189,040</u>	<u>\$ 1,969</u>	<u>\$ 1,191,009</u>

See accompanying notes to financial statements.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Statement of Functional Expenses - Modified Cash Basis

for the year ended July 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Personnel costs:				
Compensation	\$ 316,070	\$ 75,857	\$ 29,500	\$ 421,427
Payroll taxes and fees	24,567	5,896	2,293	32,756
Other employee benefits	18,299	4,531	1,329	24,159
Retirement plan	2,452	613	161	3,226
Total personnel costs	<u>361,388</u>	<u>86,897</u>	<u>33,283</u>	<u>481,568</u>
Other expenses:				
Contributed food distributed	5,008,446	-	-	5,008,446
Purchased food distributed	31,905	-	-	31,905
Events expense	-	-	61,457	61,457
Advertising and promotion	34,689	-	11,563	46,252
Occupancy	19,122	4,468	1,241	24,831
Telephone	3,358	3,359	354	7,071
Office supplies	2,774	1,005	1,256	5,035
Pass thru contribution	-	11,832	-	11,832
Postage	712	274	110	1,096
Equipment rental	1,901	27	27	1,955
Vehicle expense	10,612	-	-	10,612
Repairs and maintenance	22,085	7,362	-	29,447
Conferences and meetings	1,413	1,163	-	2,576
Professional services	9,550	15,622	-	25,172
Insurance	14,016	2,026	-	16,042
Other supplies	937	122	-	1,059
Depreciation	-	62,152	-	62,152
Fundraising	-	-	8,534	8,534
Miscellaneous	-	14,796	-	14,796
Total other expenses	<u>5,161,520</u>	<u>124,208</u>	<u>84,542</u>	<u>5,370,270</u>
Total expenses	<u>\$ 5,522,908</u>	<u>\$ 211,105</u>	<u>\$ 117,825</u>	<u>\$ 5,851,838</u>

See accompanying notes to financial statements.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

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.

Basis of Presentation

Net assets and the Food Pantry's support, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions according to the following net asset classifications:

Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Food Pantry. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees. Grants and contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period.

Net assets with donor restrictions: These net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Food Pantry or by the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenues, expenses and changes in net assets as net assets released from restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed 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. Contributions of tangible assets are recognized at fair value when received.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of revenues, expenses and changes in net assets.

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.

Advertising Costs

The Food Pantry expenses advertising costs as incurred. Expenses incurred were \$46,252 for the year ended July 31, 2019.

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.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 represents phase 1 of FASB's Not-for Profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative information in liquidity, retains the option to present the cash flow statement on a direct or indirect method as well as includes various other additional disclosure requirements. The Organization adopted ASU 2016-14 in the current year.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

3. IN-KIND CONTRIBUTIONS

The Food Pantry recorded various donated equipment and in-kind services that would have otherwise been purchased if not donated. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. The Food Pantry received the following in-kind contributions during the year ended July 31, 2019:

Building maintenance	\$	33
Printing and advertising		<u>3,400</u>
	\$	<u><u>3,433</u></u>

In addition, a substantial amount of food is donated to the Food Pantry. The Pantry 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 \$1.62 per donated pound. The Organization also received donations from the Federal government as part of The Emergency Food Program and Temporary Assistance to Needy Families. These donations have been valued at \$1.31 per pound and \$1.21 per pound, respectively.

The total value of food 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 \$5,008,446 of donated food in the year ended July 31, 2019.

4. CONCENTRATION OF CREDIT RISK

The Food Pantry maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of July 31, 2019, bank account balances did not exceed federally insured limits.

5. COMMUNITY FOUNDATION ENDOWMENT FUND

In 1981 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, 2019 the fair value of the endowment fund was \$93,865.

6. 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.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

6. COMMUNITY FOUNDATION FOOD PANTRY FUND (continued)

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	\$	333
Net realized and unrealized gain		<u>548</u>
Total investment return	\$	<u><u>881</u></u>

7. FAIR VALUE MEASUREMENTS

The investments of the Food Pantry are reported at fair value in accordance with Financial Accounting Standards Board guidance related to fair value measurements and disclosures. This standard establishes a three-level fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value. The levels in the fair value hierarchy are defined as follows: Level 1 - valuations are based on observable inputs that reflect unadjusted quoted prices in active markets for identical assets at the reporting date; Level 2 - valuations are based on observable inputs other than quoted prices for identical assets; Level 3 - valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Financial assets measured at fair value on a recurring basis at July 31, 2019 consist of the following:

	<u>Total</u>	<u>Level 2</u>
Community Foundation Food Pantry Fund	\$ 17,061	\$ 17,061

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.

8. PROPERTY AND EQUIPMENT

Investment in property and equipment consists of the following at July 31, 2019:

Building	\$	378,458
Building Improvements		725,975
Land		75,182
Land Improvements		249,076
Furniture and equipment		116,218
Vehicles		27,015
Less accumulated depreciation		<u>(351,475)</u>
Total	\$	<u><u>1,220,449</u></u>

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

8. PROPERTY AND EQUIPMENT (continued)

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 \$62,152 for the year ended July 31, 2019.

9. NOTE PAYABLE

The Food Pantry entered into an agreement 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. The loan was funded through the U.S. Department of Housing and Urban Development. The agreement specifies that if the Food Pantry complies with various terms, the loan will be forgiven without interest at maturity.

If there is any default on the specified provisions of the loan agreement, the unpaid balance becomes payable immediately.

Long-term debt at July 31, 2019 consists of the following:

Mortgage - Kane County, matures March 14, 2032, 0.00% interest rate, collateralized by the Jericho Road property	\$ 50,000
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10. LINE OF CREDIT

The Food Pantry has a line of credit with Old Second National Bank which provides for borrowings up to \$50,000 and expires on August 6, 2020. Interest is payable monthly at the prime rate plus 2.00% (7.25% at July 31, 2019). The line of credit is secured by the property on Jericho Road. There were no borrowings under the line of credit as of July 31, 2019.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

11. RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Net assets with donor restrictions at July 31, 2019 are for the following:

Parking lot	\$	1,969
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At July 31, 2019, the Food Pantry had Board designated net assets totaling \$17,061, which consists of the investment in the Community Foundation Food Pantry Advisory Fund.

12. RETIREMENT PLAN

Retirement benefits for the Food Pantry are provided through a Simple IRA plan. During the year ended July 31, 2019, 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, 2019 was \$3,226.

13. INCOME TAXES

The Food Pantry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income from activities not directly related to the Food Pantry's tax exempt purpose is subject to federal and state income tax as unrelated business income. For the year ended July 31, 2019, the Food Pantry had no unrelated business income and consequently, there was no provision for income taxes.

Uncertain Tax Positions

The Food Pantry has adopted guidance issued by the Financial Accounting Standards Board relating to uncertain tax positions. The Food Pantry's policy is to classify income tax related interest and penalties in interest expense and other miscellaneous expenses, respectively. The tax years 2016, 2017 and 2018 for income tax returns filed in the U.S. federal jurisdiction and the state of Illinois (the Food Pantry's major tax jurisdictions) remain open and subject to examination. The Food Pantry has analyzed tax positions taken and believes that income tax filing positions would be sustained upon examination and does not anticipate any adjustments that would have a material adverse effect on the Food Pantry's financial condition, results of operations or cash flows.

14. LEASE COMMITMENTS

The Food Pantry leases certain equipment on a periodic basis. Lease expense was \$1,955 for the year ended July 31, 2019.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2019

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Food Pantry has the following financial assets available within one year of the statement of assets, liabilities, and net assets for general expenditures:

Cash and cash equivalents	\$ 25,319
Less amounts unavailable for general expenditures within one year due to:	
Donor restrictions	(1,969)
Board designations	(17,061)
Financial assets available to meet general expenditures within one year	<u>\$ 6,289</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 19, 2020 the date the financial statements were available to be issued.