

AURORA AREA INTERFAITH
FOOD PANTRY, INC.

MODIFIED CASH BASIS FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
for the year ended July 31, 2020

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, 2020, 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, 2020, 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.

Usher & Associates

Aurora, Illinois
March 17, 2021

AURORA AREA INTERFAITH FOOD PANTRY, INC.
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
as of July 31, 2020

ASSETS	
Current assets:	
Cash	\$ 462,159
	462,159
Property and equipment:	
Property and equipment	1,593,176
Less accumulated depreciation	(417,878)
	1,175,298
Other assets:	
Community Foundation Food Pantry Fund	21,838
TOTAL ASSETS	\$ 1,659,295
 LIABILITIES AND NET ASSETS	
Liabilities:	
Current liabilities:	
Payroll taxes payable and other payroll liabilities	\$ 1,649
Accounts payable	9,821
Refundable advance	94,770
	106,240
Long-term liabilities:	
Note payable	50,000
Total liabilities	156,240
Net assets:	
Without donor restrictions	
Undesignated	1,479,248
Board designated	21,838
Total without donor restrictions	1,501,086
With donor restriction	
Total net assets	1,503,055
TOTAL LIABILITIES AND NET ASSETS	\$ 1,659,295

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions, gifts and grants	\$ 1,095,031	\$ -	\$ 1,095,031
Food contributions	4,887,391	-	4,887,391
Interest and dividends	4,158	-	4,158
Net realized and unrealized gain	693	-	693
Special events	138,881	-	138,881
Total revenues and other support	<u>6,126,154</u>	<u>-</u>	<u>6,126,154</u>
Expenses			
Program services	5,446,732	-	5,446,732
Supporting services			
Management and general	235,802	-	235,802
Fundraising	131,574	-	131,574
Total expenses	<u>5,814,108</u>	<u>-</u>	<u>5,814,108</u>
Change in net assets	312,046	-	312,046
Net assets, beginning of year	<u>1,189,040</u>	<u>1,969</u>	<u>1,191,009</u>
Net assets, end of year	<u>\$ 1,501,086</u>	<u>\$ 1,969</u>	<u>\$ 1,503,055</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, 2020

	Program Services	Management and General	Fund- raising	Total
Personnel costs:				
Compensation	\$347,330	\$83,360	\$32,418	\$ 463,108
Payroll taxes and fees	28,816	6,915	2,690	38,421
Other employee benefits	18,082	4,477	1,314	23,873
Retirement plan	603	150	40	793
Total personnel costs	<u>394,831</u>	<u>94,902</u>	<u>36,462</u>	<u>526,195</u>
Other expenses:				
Contributed food distributed	4,887,391	-	-	4,887,391
Purchased food distributed	30,239	-	-	30,239
Events expense	-	-	73,675	73,675
Advertising and promotion	23,155	-	7,719	30,874
Occupancy	20,526	4,796	1,332	26,654
Telephone	3,856	3,857	406	8,119
Office supplies	10,155	-	-	10,155
Pass thru contribution	-	1,643	-	1,643
Postage	2,219	853	343	3,415
Equipment rental	3,234	46	46	3,326
Vehicle expense	14,437	-	-	14,437
Repairs and maintenance	25,344	8,449	-	33,793
Conferences and meetings	3,009	2,476	-	5,485
Professional services	17,109	27,985	-	45,094
Insurance	9,744	1,408	-	11,152
Other supplies	1,483	193	-	1,676
Depreciation	-	66,402	-	66,402
Fundraising	-	-	11,591	11,591
Miscellaneous	-	22,792	-	22,792
Total other expenses	<u>5,051,901</u>	<u>140,900</u>	<u>95,112</u>	<u>5,287,913</u>
Total expenses	<u>\$ 5,446,732</u>	<u>\$ 235,802</u>	<u>\$ 131,574</u>	<u>\$ 5,814,108</u>

See accompanying notes to financial statements.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

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.

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.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services and Materials (continued)

Many individuals volunteer their time and perform a variety of tasks that assist the Food Pantry with daily operations. The volunteer hours have not been recorded in the statement of revenues, expenses and changes in net assets.

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 \$30,874 for the year ended July 31, 2020.

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.

Recently Adopted Accounting Standards

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. ASU 2018-08 clarifies existing guidance in order to address diversity in practice in classifying grants (including governmental grants) and contracts received by not-for-profit entities, and requires entities to evaluate whether the resource provider receives commensurate value. In addition, the standard clarifies the guidance on how entities determine when a contribution is conditional, including whether the agreement includes a barrier (or barriers) that must be overcome for the recipient to be entitled to the transferred assets and a right of return of the transferred assets (or a right of release of the promisor's obligation to transfer the assets).

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Standards (continued)

The change in accounting principle was adopted in fiscal year 2020 on a modified prospective basis. As a result, agreements entered into after adoption when conditions have not been met during the year are reported on the statement of assets, liabilities and net assets as refundable advances. There were no agreements not completed as of the effective date.

3. IN-KIND CONTRIBUTIONS

The Food Pantry receives a substantial amount of food as donations. 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 \$1.74 per donated pound. The Food Pantry also received donations from the Federal government as part of The Emergency Food Program. These donations have been valued at \$1.18 per donated pound.

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 \$4,887,391 of donated food in the year ended July 31, 2020.

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. Bank account balances exceeded federally insured limits by \$159,840 at July 31, 2020.

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, 2020 the fair value of the endowment fund was \$94,831.

6. COMMUNITY FOUNDATION FOOD PANTRY FUND

The Community Foundation Food Pantry Fund in 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, 2020

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	\$	4,158
Net realized and unrealized gain		<u>693</u>
Total investment return	\$	<u><u>4,851</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, 2020 consist of the following:

	<u>Total</u>	<u>Level 2</u>
Community Foundation Food Pantry Fund	\$ 21,838	\$ 21,838

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, 2020:

Building	\$	378,458
Building Improvements		725,975
Land		75,182
Land Improvements		249,076
Furniture and equipment		137,470
Vehicles		27,015
Less accumulated depreciation		<u>(417,878)</u>
Total	\$	<u><u>1,175,298</u></u>

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

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 \$66,402 for the year ended July 31, 2020.

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, 2020 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, 2022. Interest is payable monthly at the prime rate plus 2.00% (5.25% at July 31, 2020). 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, 2020.

11. RETIREMENT PLAN

Retirement benefits for the Food Pantry are provided through a Simple IRA plan. During the year ended July 31, 2020, 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, 2020 was \$793.

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

12. RESTRICTIONS AND DESIGNATIONS OF NET ASSETS

Net assets with donor restrictions at July 31, 2020 are for the following:

Parking lot	\$	1,969
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At July 31, 2020, the Food Pantry had Board designated net assets totaling \$21,838, which consists of the investment in the Community Foundation Food Pantry Advisory Fund.

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, 2020, 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 2017, 2018 and 2019 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 \$6,414 for the year ended July 31, 2020.

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	\$	483,997
Less amounts unavailable for general expenditures within one year due to:		
Donor restrictions		(1,969)
Board designations		(21,838)
Financial assets available to meet general expenditures within one year	\$	<u>460,190</u>

AURORA AREA INTERFAITH FOOD PANTRY, INC.

Notes to Financial Statements

July 31, 2020

16. REFUNDABLE ADVANCE

On April 22, 2020, the Food Pantry received an unsecured bank loan under the U.S. Small Business Administration Payroll Protection Program (PPP) in the amount of \$94,770. Under the terms of the PPP loan, the Food Pantry may apply for forgiveness of the loan in an amount equal to the sum of the costs incurred during a specified time period for payroll costs, interest on a covered mortgage obligation, rent and utility payments. The balance of the loan not forgiven shall bear interest at the rate of 1% per annum and is payable monthly in an amount necessary to fully amortize the then-outstanding principal balance of the loan over a two year period.

Under FASB ASC 958-605, a not-for-profit entity that expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a government grant that is expected to be forgiven, the loan may be treated as a conditional contribution and accounted for as a refundable advance until the conditions have been substantially met. The Food Pantry believes it will overcome the barriers specified for loan forgiveness and has therefore, reported the loan amount on the Statement of Assets, Liabilities, and Net Assets accordingly. In future accounting periods when conditions have been substantially met, contribution revenue without restrictions will be recognized as all restrictions imposed will have been met at the time of recognition.

17. SUBSEQUENT EVENTS

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on revenues and on the financial performance of the Food Pantry's investments cannot reasonably be estimated at this time.

Management has evaluated subsequent events through March 17, 2021 the date the financial statements were available to be issued.