



2020 ANNUAL REPORT



**GREATER
CHICAGO
- FOOD -
DEPOSITORY™**

Dear Friends and Supporters,

Thank you for your generous and unwavering supporting in fiscal year 2019-2020 – a year of extraordinary challenges.

With your support, we have continued our mission of feeding people facing hunger throughout a teachers strike, a global pandemic, an economic recession and a racial justice reckoning.

Put simply, we've never seen such an increase in the number of people seeking food assistance in our 41-year history. The lines at food pantries and pop-up food distributions wrapped around city blocks and down suburban streets. Countless families in Chicago and Cook County have faced hunger for the first time in their lives during this ongoing crisis.

Thanks to the outpouring of support from our partners and donors, we've been able to rise to the challenge and help our neighbors in need. In fiscal year 2020, which ended June 30, our network of partners distributed the equivalent of more than 77.5 million meals – the most ever in the Food Depository's history.

Even before the pandemic, the Food Depository responded to unique challenges in our community. During the longest Chicago teachers strike in decades, we partnered with libraries, parks and YMCA locations to provide snacks and meals for children.

When the pandemic prompted the closing of schools in March, the Food Depository quickly stepped up to co-lead the city of Chicago's food assistance plan. We provided guidance to our partners to help them stay open during an unprecedented crisis. And we galvanized volunteers to pack thousands of emergency food boxes.

Our response quickly evolved as it became clear that Black and Latino communities on the South and West Sides were disproportionately affected by the combination of COVID-19 and food insecurity. In partnership with faith and community groups, and in collaboration with the city of Chicago, we launched new pop-up distributions to expand the access of fresh, healthy food in those communities.

Through it all, our advocacy team urged lawmakers in Congress to extend the authorization of additional food and flexibilities in federal programs to help feed the heartbreaking number of Americans facing hunger.

We're not out of the woods yet. The economic impact of this pandemic likely will last for months and even years.

Thank you for your continued support. We couldn't do this work without you. Together, we can emerge from this crisis as a Greater Chicago.



Kate Maehr

Executive Director and CEO
Greater Chicago Food Depository



Monica Brown Moss

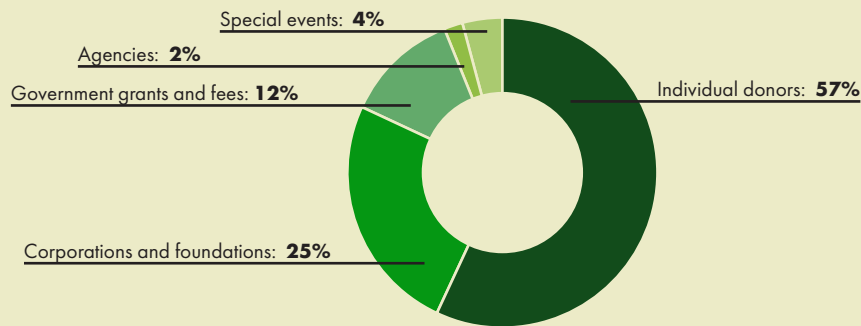
Chair of the Board
Greater Chicago Food Depository

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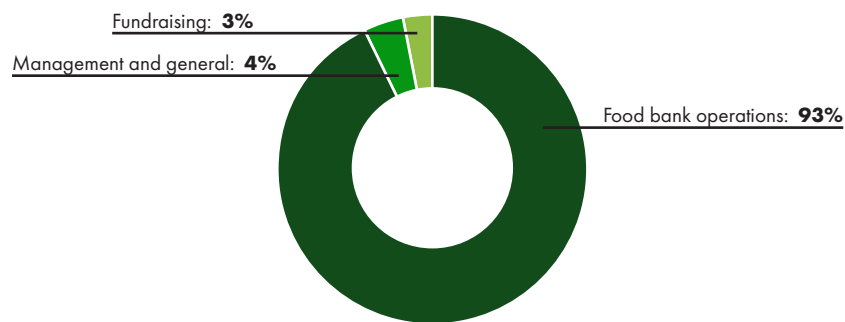
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INTERNAL STATEMENT OF ACTIVITIES

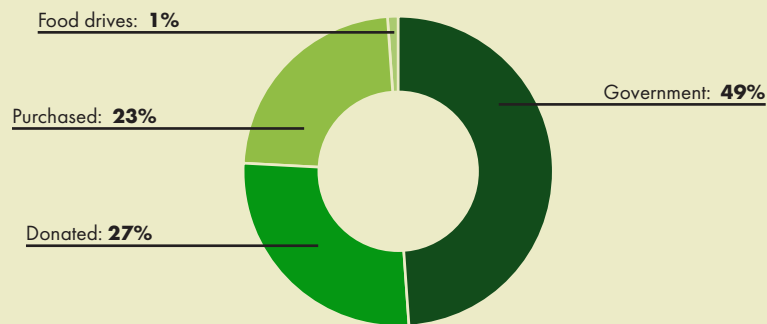
WHERE OUR FUNDING COMES FROM



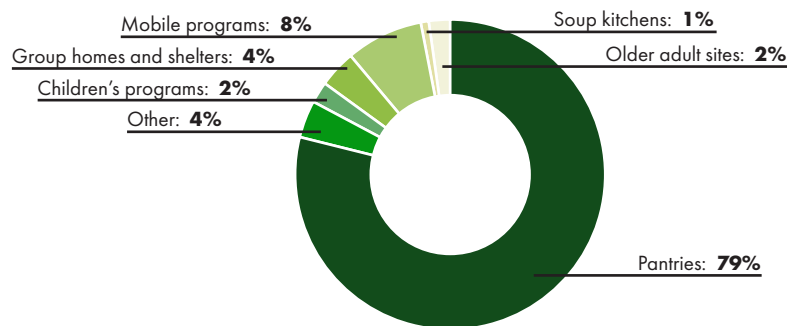
HOW WE USE OUR RESOURCES



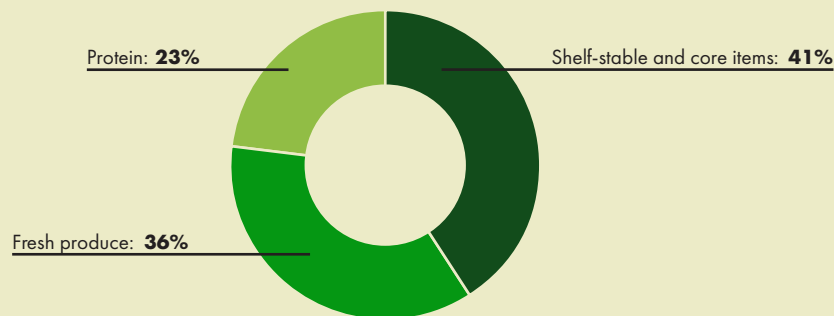
WHERE OUR FOOD COMES FROM



WHERE OUR FOOD GOES



WHAT TYPES OF FOOD WE DISTRIBUTE



INDEPENDENT AUDITOR'S REPORT – September 23, 2020

To the Board of Directors
Greater Chicago Food Depository

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Chicago Food Depository (the "Food Depository"), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Greater Chicago Food Depository as of June 30, 2020 and 2019 and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, the Food Depository adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Food Depository's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Food Depository's internal control over financial reporting and compliance.

STATEMENTS OF FINANCIAL POSITION – June 30, 2020 and 2019

	JUNE 30	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 23,321,272	\$ 9,519,593
Receivables		
Grants and accounts receivable - Net	3,393,379	1,552,934
Pledges receivable - Net	686,758	1,174,663
Inventory		
Contributed food	17,680,824	11,803,576
Purchased food programs - Net	305,755	1,207,154
Other current assets	383,926	356,853
TOTAL CURRENT ASSETS	45,771,914	25,614,773
INVESTMENTS		
Securities	78,136,617	50,452,192
NONCURRENT PLEDGES RECEIVABLE	251,669	12,015
OTHER NONCURRENT ASSETS	373,864	356,902
LAND, BUILDING AND EQUIPMENT		
Net of accumulated depreciation	38,675,011	40,320,112
ASSETS RESTRICTED FOR INVESTMENT IN BUILDING AND EQUIPMENT	9,648,559	11,475,676
TOTAL ASSETS	\$ 172,857,634	\$ 128,231,670
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,832,718	\$ 1,682,242
Line of credit	—	11,000,000
Accrued expenses	4,619,145	4,198,730
Deferred revenue	894,296	684,239
TOTAL CURRENT LIABILITIES	7,346,159	17,565,211
NONCURRENT LIABILITIES		
Line of credit	10,739,560	—
TOTAL LIABILITIES	18,085,719	17,565,211
NET ASSETS		
Without donor restrictions		
Operating and contributed food	96,656,129	46,272,018
Board-designated endowments	47,217,444	50,413,818
TOTAL WITHOUT DONOR RESTRICTIONS	143,873,573	96,685,836
With donor restrictions	10,898,342	13,980,623
TOTAL NET ASSETS	154,771,915	110,666,459
TOTAL LIABILITIES AND NET ASSETS	\$ 172,857,634	\$ 128,231,670

See Notes to Financial Statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – Year ended June 30, 2020

WITHOUT DONOR RESTRICTIONS

	FOOD BANK	CONTRIBUTED FOOD	TOTAL	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE					
PUBLIC SUPPORT					
Contributions and grants	\$ 51,288,803	\$ —	\$ 51,288,803	\$ 15,663,708	\$ 66,952,511
Contributions – <i>Nourish Capital Campaign</i>	—	—	—	11,422,949	11,422,949
Contributed food received	—	50,143,675	50,143,675	—	50,143,675
Satisfaction of restrictions	30,168,938	—	30,168,938	(30,168,938)	—
REVENUE					
Fee and grants from government agencies	9,730,464	68,870,555	78,601,019	—	78,601,019
Agency purchases revenue	1,809,452	—	1,809,452	—	1,809,452
Investment income, net of investment expenses	307,563	—	307,563	—	307,563
Other income	351,701	—	351,701	—	351,701
TOTAL PUBLIC SUPPORT AND REVENUE	93,656,921	119,014,230	212,671,151	(3,082,281)	209,588,870
OPERATING EXPENSES					
Food bank operations	34,857,421	—	34,857,421	—	34,857,421
Contributed food distributed	—	113,136,982	113,136,982	—	113,136,982
TOTAL PROGRAM EXPENSES	34,857,421	113,136,982	147,994,403	—	147,994,403
Management and general	6,444,300	—	6,444,300	—	6,444,300
Fundraising	5,317,477	—	5,317,477	—	5,317,477
TOTAL OPERATING EXPENSES	46,619,198	113,136,982	159,756,180	—	159,756,180
NET ASSETS					
INCREASE (DECREASE) IN NET ASSETS BEFORE NON-OPERATING EXPENSES	47,037,723	5,877,248	52,914,971	(3,082,281)	49,832,690
NON-OPERATING EXPENSES					
Loss on disposal of building and equipment	5,727,234	—	5,727,234	—	5,727,234
INCREASE (DECREASE) IN NET ASSETS	41,310,489	5,877,248	47,187,737	(3,082,281)	44,105,456
NET ASSETS — Beginning of year	84,882,260	11,803,576	96,685,836	13,980,623	110,666,459
TOTAL NET ASSETS – END OF YEAR	\$ 126,192,749	\$ 17,680,824	\$ 143,873,573	\$ 10,898,342	\$ 154,771,915

See Notes to Financial Statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS – Year ended June 30, 2019

WITHOUT DONOR RESTRICTIONS

	FOOD BANK	CONTRIBUTED FOOD	TOTAL	WITH DONOR RESTRICTIONS	TOTAL
PUBLIC SUPPORT AND REVENUE					
PUBLIC SUPPORT					
Contributions and grants	\$ 26,520,860	\$ —	\$ 26,520,860	\$ 5,074,738	\$ 31,595,598
Contributions – <i>Nourish Capital Campaign</i>	—	—	—	5,860,857	5,860,857
Contributed food received	—	55,380,576	55,380,576	—	55,380,576
Satisfaction of restrictions	9,869,956	—	9,869,956	(9,869,956)	—
REVENUE					
Fee and grants from government agencies	6,963,227	36,023,496	42,986,723	—	42,986,723
Agency purchases revenue	2,414,087	—	2,414,087	—	2,414,087
Investment income, net of investment expenses	2,219,411	—	2,219,411	—	2,219,411
Other income	212,698	—	212,698	—	212,698
TOTAL PUBLIC SUPPORT AND REVENUE	48,200,239	91,404,072	139,604,311	1,065,639	140,669,950
OPERATING EXPENSES					
Food bank operations	30,455,879	—	30,455,879	—	30,455,879
Contributed food distributed	—	85,051,224	85,051,224	—	85,051,224
TOTAL PROGRAM EXPENSES	30,455,879	85,051,224	115,507,103	—	115,507,103
Management and general	6,076,572	—	6,076,572	—	6,076,572
Fundraising	4,925,279	—	4,925,279	—	4,925,279
TOTAL OPERATING EXPENSES	41,457,730	85,051,224	126,508,954	—	126,508,954
NET ASSETS					
INCREASE IN NET ASSETS	6,742,509	6,352,848	13,095,357	1,065,639	14,160,996
NET ASSETS — Beginning of year	78,139,751	5,450,728	83,590,479	12,914,984	96,505,463
TOTAL NET ASSETS – END OF YEAR	\$ 84,882,260	\$ 11,803,576	\$ 96,685,836	\$ 13,980,623	\$ 110,666,459

See Notes to Financial Statements.

STATEMENTS OF FUNCTIONAL EXPENSES – Year ended June 30, 2020

	PROGRAM SERVICES	SUPPORT SERVICES		
	FOOD BANK PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 9,502,980	\$ 2,682,291	\$ 1,716,574	\$ 13,901,845
Employee fringe benefits	2,400,323	482,253	332,243	3,214,819
TOTAL SALARIES AND RELATED EXPENSES	11,903,303	3,164,544	2,048,817	17,116,664
Cost of food sold	14,689,587	—	—	14,689,587
Occupancy and utility costs	500,719	8,382	1,301	510,402
Trucking, freight and storage	1,759,597	4,950	—	1,764,547
Direct mail and special events	122,910	—	3,073,176	3,196,086
Purchase, maintenance and equipment rentals	480,269	167,241	—	647,510
Office supplies	66,249	19,970	167	86,386
Building, maintenance and renovation expense	1,300,483	21,769	3,378	1,325,630
Professional and contractual fees	626,002	1,966,665	44,284	2,636,951
Insurance	271,900	42,113	—	314,013
Telecommunications	32,387	198,458	800	231,645
Meetings, conferences, conventions and local transportation	104,715	25,436	6,302	136,453
Licenses, fees and local dues	132,828	200,699	92,173	425,700
National dues (Feeding America)	—	35,283	—	35,283
Printing	92,261	308,572	11,093	411,926
Postage	43,007	9,597	29,367	81,971
Member agencies development	1,037,239	—	250	1,037,489
Education and training	151,735	213,888	2,397	368,020
Miscellaneous	13,087	31,136	—	44,223
Contributed food distributed	113,136,982	—	—	113,136,982
Depreciation	1,529,143	25,597	3,972	1,558,712
TOTAL	136,091,100	3,279,756	3,268,660	142,639,516
TOTAL FUNCTIONAL EXPENSES	\$ 147,994,403	\$ 6,444,300	\$ 5,317,477	\$ 159,756,180

See Notes to Financial Statements.

STATEMENTS OF FUNCTIONAL EXPENSES – Year ended June 30, 2019

	PROGRAM SERVICES	SUPPORT SERVICES		
	FOOD BANK PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 8,304,960	\$ 2,687,540	\$ 1,456,551	\$ 12,449,051
Employee fringe benefits	2,077,858	463,236	283,112	2,824,206
TOTAL SALARIES AND RELATED EXPENSES	10,382,818	3,150,776	1,739,663	15,273,257
Cost of food sold	12,434,243	—	—	12,434,243
Occupancy and utility costs	872,089	14,564	239	886,892
Trucking, freight and storage	2,063,535	2,899	—	2,066,434
Direct mail and special events	95,527	—	2,996,641	3,092,168
Purchase, maintenance and equipment rentals	700,096	80,996	—	781,092
Office supplies	26,730	27,125	9	53,864
Building, maintenance and renovation expense	783,332	13,082	215	796,629
Professional and contractual fees	622,682	1,857,603	97,628	2,577,913
Insurance	208,627	40,748	—	249,375
Telecommunications	45,990	161,925	950	208,865
Meetings, conferences, conventions and local transportation	147,507	47,661	10,616	205,784
Licenses, fees and local dues	56,050	226,179	24,106	306,335
National dues (Feeding America)	—	47,044	—	47,044
Printing	134,749	229,762	9,792	374,303
Postage	13,509	7,384	44,820	65,713
Member agencies development	778,245	—	—	778,245
Education and training	65,133	77,730	—	142,863
Miscellaneous	13,744	74,205	323	88,272
Contributed food distributed	85,051,224	—	—	85,051,224
Depreciation	1,011,273	16,889	277	1,028,439
TOTAL FUNCTIONAL EXPENSES	\$ 115,507,103	\$ 6,076,572	\$ 4,925,279	\$ 126,508,954

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS – June 30, 2020 and 2019

	JUNE 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 44,105,456	\$ 14,160,996
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH EQUIVALENTS FROM OPERATING ACTIVITIES:		
Credits to agency accounts receivable balances	620,900	465,755
Increase (decrease) in allowance for uncollected pledges and discount to net present value	2,798	(5,355)
Increase (decrease) in reserve for purchased inventory	630,992	(93,192)
Depreciation	1,558,712	1,028,439
Loss (gain) on sale and disposal of fixed assets	5,688,234	(6,200)
Increase in inventory – Contributed food	(5,877,248)	(6,352,848)
Donated investments	(2,443,704)	(1,142,993)
Unrealized and realized gain on investments	533,425	(1,264,809)
Nourish Capital Campaign contributions	(11,422,949)	(5,860,857)
Donated fixed assets	—	(2,395,656)
CHANGES IN OPERATING ASSETS AND LIABILITIES THAT (USED) PROVIDED CASH AND CASH EQUIVALENTS:		
Accounts receivable	(2,461,345)	(682,538)
Other pledges	245,453	(303,495)
Inventory – Purchased	270,407	511,652
Other current assets	(27,073)	33,914
Other noncurrent assets	(16,962)	18,685
Accounts payable	150,476	574,042
Accrued expenses	420,415	1,819,771
Deferred revenue and other	210,057	179,142
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	32,188,044	684,453
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments – Securities	19,500,108	22,014,736
Purchase of investments – Securities	(38,765,124)	(22,562,991)
Purchase of investments - Investments restricted for investment in building and equipment	—	(8,164,070)
Proceeds from sale and disposal of fixed assets	39,000	6,200
Purchase of fixed assets	(5,640,845)	(18,174,122)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(24,866,861)	(26,880,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of Nourish Capital Campaign contributions	5,411,884	9,213,180
Net (payments on) proceeds from line of credit	(260,440)	11,000,000
NET CASH AND CASH EQUIVALENTS PROVIDED BY FINANCING ACTIVITIES	5,151,444	20,213,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,472,627	(5,982,614)
CASH AND CASH EQUIVALENTS – Beginning of year	10,848,645	16,831,259
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 23,321,272	\$ 10,848,645
STATEMENT OF FINANCIAL POSITION CLASSIFICATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	23,321,272	9,519,593
Cash restricted for investments in building and equipment	—	1,329,052
TOTAL CASH AND CASH EQUIVALENTS	\$ 23,321,272	\$ 10,848,645

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

NOTE 1 – NATURE OF BUSINESS

The Greater Chicago Food Depository (the “Food Depository”) is a not-for-profit, tax-exempt (Section 501(c)(3)) food bank working to end hunger in Cook County. The Food Depository believes a healthy community starts with food. The Food Depository is at the center of a network of more than 700 organizations and programs – food pantries, soup kitchens, mobile distributions and other partners – working to bring food, dignity and hope to neighbors in need. The Food Depository addresses the root causes of hunger with job training, advocacy and other innovative solutions. The Food Depository is a proud charter member of Feeding America – the national network of food banks. By working to help those most in need go from hungry to hopeful, the Food Depository is building a greater Chicago.

A description of each group of unrestricted net assets and programs follows:

FOOD BANK

Operating – Represents resources used to carry out the food bank operations over which the board of directors has discretionary control. It also includes the net investment in property and equipment and the unexpended board-designated resources.

Board-designated Endowments – Represent resources designated by the board of directors as a reserve account for future operating and capital contingencies and commitments.

Contributed Food – Represents the balance of contributed food remaining on hand at June 30.

GOVERNMENT PROGRAMS

The Food Depository administers several government programs, as described below:

The City of Chicago Emergency Food Program – Under the Emergency Food Program with the City of Chicago’s Department of Family and Support Services, the Greater Chicago Food Depository is responsible for supplying food boxes for needy families in Chicago and fresh produce to homeless shelters throughout Chicago. For the food boxes, the costs for food, materials, packaging, distribution and administration are reimbursed by the Department of Family and Support Services at a flat rate per box upon shipment from the Food Depository. The Department of Family and Support Services reimburses the fresh produce at cost. Food and supplies on hand are classified as inventory on the statement of financial position. The program provides credits to agencies mutually selected by the city and the Food Depository to access food through the Food Depository’s existing network. The city refers clients to these agencies to access food. A reduced number of food boxes is provided to the city.

The Emergency Food and Shelter National Board Program of the Federal Emergency Management Agency (FEMA) – The Food Depository purchases and distributes food high in protein and staples, without service fees, to eligible agencies. These foods complement contributed products.

The Illinois Department of Human Services Distribution of United States Department of Agriculture (USDA) Food Commodities Program – The Food Depository receives USDA commodities and distributes them to certain qualified agencies without service fees.

The Illinois Department of Human Services Distribution of United States Department of Health and Human Services Temporary Assistance to Needy Families Program – The Food Depository receives funding to purchase commodities and distributes them to certain qualified agencies without service fees.

Illinois State Board of Education Child and Adult Care Food Program and Summer Food Service Program – The Food Depository provides kid cafes with meals served to children through summer food programs and after-school programs.

SNAP/Food Stamp Outreach Program – The Food Depository is a member of the Illinois State SNAP Outreach Plan, which is administered by the Illinois Department of Human Services and the U.S. Department of Agriculture.

AmeriCorps State/National Program – The Food Depository hosts AmeriCorps members through Serve Illinois and the Corporation for National

and Community Service. The individuals are placed in the Greater Chicago Food Depository or member agencies and are utilized to assist with veteran pantry operations and outreach, SNAP outreach and children’s programming.

CEDA Family Nutrition Program – The objective of the Family Nutrition Program is to increase the self sufficiency of low-income persons in suburban Cook County by providing them with access to fresh, nutritious produce.

Government fees and grants are subject to audits by the respective government agencies.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

BASIS OF PRESENTATION

The Food Depository’s financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the organization as a whole and to present balances and transactions in accordance with the existence or absence of donor-imposed restrictions. The Food Depository maintains its financial accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives of the Food Depository.

The Food Depository classifies its net assets and related activity as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions that will be met either by actions of the Food Depository and/or the passage of time, or net assets that are subject to donor-imposed restrictions that they be maintained in perpetuity.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

As of July 1, 2019, the Food Depository adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Food Depository adopted the new standard on a modified prospective basis; however, it did not impact the recognition of contribution or grant agreements received. The adoption of the ASU did not result in a restatement of the 2019 financial information, as there was no change to the timing of revenue recognition for existing agreements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Food Depository adopted the ASU effective July 1, 2019 using the modified retrospective method. The adoption of the ASU did not result in any restatement to net assets or changes in net assets.

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

REVENUE AND PUBLIC SUPPORT

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

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flow. Conditional promises are recorded when donor stipulations are substantially met. Contributions are recorded net of allowances. An allowance for doubtful pledges receivable is provided based on management's judgment, including factors such as prior collection history, the type of contribution and the nature of fundraising activity. The Food Depository did not record an allowance for doubtful accounts, as it expects to receive outstanding amounts due subsequent to fiscal year end.

Contributions received with donor-imposed restrictions are reported as revenue of the net assets with donor restrictions asset class. Net assets with donor restrictions released from restriction primarily relate to expenditures incurred for capital additions and program services. Contributions of land, building and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net assets without donor restrictions asset class.

Revenue from contributed food received, as well as the related contributed food distributed expense and the contributed food inventory accounts, is estimated using the Food Depository's respective pounds of food at a weighted-average wholesale price per pound by product category, as determined by Feeding America. The Food Depository treats contributed food as without donor restrictions contributions and records the revenue upon receipt based on the pounds of food contributed during the year.

Revenue from government grants and contract agreements is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Food Depository has incurred expenditures in compliance with specific contract or grant provisions. Any government grants received prior to incurring qualifying expenditures are reported as refundable advances and recorded as deferred revenue on the statement of financial position. Management determines the allowances for doubtful accounts on grant receivables by reviewing and identifying troubled accounts on a monthly basis and by using historical experience. Grant receivables are written off when deemed uncollectible. The Food Depository did not record an allowance on its grant receivables, as it expects to receive outstanding amounts due subsequent to fiscal year end.

AGENCY PURCHASES REVENUE RECOGNITION

Agency purchases revenue is the only revenue stream applicable under ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Agency purchases consist of revenue from the Food Depository's purchased food program. In the purchased food program, the Food Depository buys certain commodities and distributes them to agencies at cost or below cost. Revenue is recognized at the point in time in which the agency receives the food, as that is the point in time the Food Depository satisfies the performance obligation.

CREDITS TO AGENCIES' BALANCES

Under the Food Depository's program services, a member agency can pay in the form of donated services for the amount owed to the Food Depository for current food program charges. In the Agency Grant program, the Food Depository issues credits to agencies' balances to be used for future food purchases. In the Hunger Walk Bonus program, the Food Depository raises corporate, foundation and individual grants that are used to match payments by agencies on their accounts during a specified period. Matching

funds and donor contributions for agencies are recognized as credits to the agencies' balances when received and are recognized as revenue when the agencies purchase food. These credits are recorded as deferred revenue on the statement of financial position.

DONATED GOODS AND SERVICES

Certain donated services are recognized as support in the statement of activities and changes in net assets. The value of these services is determined based on estimated fair value.

Donated legal services have been recorded in the statement of activities and changes in net assets in the amount of \$346,362 and \$352,824 for the years ended June 30, 2020 and 2019, respectively.

Donated advertising and printing has been recorded in the statement of activities and changes in net assets in the amount of \$257,302 and \$291,280 for the years ended June 30, 2020 and 2019, respectively.

In-kind contributions discussed above are recorded in contributions and grants on the statement of activities and changes in net assets, and the corresponding expense is recorded in professional and contractual fees on the statement of functional expenses.

Donated fixed assets are reflected in the financial statements at their estimated values. Donated fixed assets have been recorded in contributions – *Nourish Capital Campaign* on the statement of activities and changes in net assets in the amount of \$2,395,656 for the year ended June 30, 2019. There were no donated fixed assets for the year ended June 30, 2020.

CASH EQUIVALENTS

Cash and cash equivalents are composed primarily of available cash balances and highly liquid investments with maturities of three months or less when purchased. The Food Depository maintains a significant portion of its cash and cash equivalents at U.S. Bank, Bank of America and Associated Bank. As of June 30, 2020 and 2019, the recorded cost plus accrued interest approximated fair value. The Food Depository maintains its cash and cash equivalents in bank deposit accounts that at times may exceed federally insured limits. The Food Depository has not experienced any losses in such accounts. The Food Depository believes it is not exposed to any significant credit risk on cash and cash equivalents.

INVENTORY

Contributed food is valued on a modified first-in, first-out basis using a weighted-average wholesale price per pound. Food is distributed based on the earlier of the purchase date or expiration date. Feeding America provides a product valuation survey that details price per pound by product categories. The Food Depository uses this survey to calculate the weighted-average price per pound for its inventory by category.

Purchased food programs inventory includes the Food Depository's purchased food products valued at the lower of cost (first-in, first-out) or net realizable value. The Food Depository determines the net realizable value by comparing the cost of inventory items versus the expected agency fees. As of June 30, 2020 and 2019, the Food Depository recorded an allowance for inventory purchased intended for distribution at zero cost to agencies of \$978,950 and \$305,689, respectively.

INVESTMENTS

Investments are reported at fair value. Investment income, including net realized and unrealized gains (losses), is reflected net of investment expenses in the statement of activities and changes in net assets as an increase (decrease) in net assets. Interest and dividend income is recorded on the accrual basis.

The Food Depository's investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near future and will materially affect the amounts reported in the financial statements.

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

LAND, BUILDING AND EQUIPMENT

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. All expenditures for fixed assets over \$5,000 are capitalized. Costs of maintenance and repairs are charged to expense when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amount.

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Food Depository. Those expenses and the allocation methods used for each are described as follows:

- Occupancy and utility costs – Square footage by building function
- Building, maintenance and renovation expense – Square footage by building function
- Depreciation – Square footage by building function

FEDERAL INCOME TAXES

The Food Depository is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Food Depository and recognize a tax liability if the Food Depository has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Food Depository and has concluded that, as of June 30, 2020 and 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Food Depository is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

RECLASSIFICATION

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations.

On March 9, 2020, the governor of Illinois declared all counties in the state of Illinois to be disaster areas and issued a stay-at-home executive order effective March 21, 2020. In addition, travel restrictions were put in place across the United States. The Food Depository has responded to the outbreak by transitioning some staff to work at home during the stay-at-home order. Other than this, the Food Depository has remained open and operational.

No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Food Depository's activities, functional expenses, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time. However, the Food Depository is seeing increases in need among individuals who were coping with poverty before COVID-19, as well as increases among individuals who are unemployed, furloughed or displaced as a result of the outbreak.

SUBSEQUENT EVENTS

The financial statements and related disclosures include evaluation of events up through and including September 23, 2020, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Food Depository's financial assets available within one year of June 30 for general expenditure are as follows::

	2020	2019
Cash and cash equivalents	\$ 23,321,272	\$ 9,519,593
Grants and accounts receivable - Net	3,393,379	1,552,934
Pledges receivable - Net	686,758	1,174,663
Investments	20,000,000	—
Other investments appropriated for current use	—	2,266,232
TOTAL	\$ 47,401,409	\$ 14,513,422

The pledges receivable are subject to implied time restrictions, but the amount reported above is expected to be collected within one year.

The Food Depository's endowment funds consist of donor-restricted endowments and a board-designated quasi endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 10, the board-designated quasi endowment has a spending rate of 5 percent. As of June 30, 2020, the Food Depository has not budgeted to make any appropriations from the board-designated quasi endowment to be available within the next 12 months.

As part of the Food Depository's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Food Depository has a committed line of credit in the amount of \$30,000,000, which it could draw upon. Of this total amount, approximately \$19,000,000 remains to be drawn upon as of June 30, 2020. Additionally, the Food Depository has a board-designated quasi endowment of approximately \$47,200,000. Although the Food Depository does not intend to spend from its board-designated quasi endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated quasi endowment could be made available, if necessary.

NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Food Depository's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Food Depository to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Food Depository has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Food Depository's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS AT JUNE 30, 2020

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
ASSETS – INVESTMENTS				
Equity funds	\$ 25,142,049	\$ —	—	\$ 25,142,049
Real estate funds	793,589	—	—	793,589
Fixed-income funds	21,937,096	—	—	21,937,096
Alternative assets funds	2,723,957	—	—	2,723,957
Commodity funds	883,647	—	—	883,647
Money market funds	1,534,838	—	—	1,534,838
Corporate bonds	—	9,015,944	—	9,015,944
International bonds	—	236,779	—	236,779
TOTAL INVESTMENTS	53,015,176	9,252,723	—	62,267,899
INVESTMENTS RESTRICTED FOR INVESTMENT IN BUILDING AND EQUIPMENT				
Corporate bonds	—	1,654,941	—	1,654,941
TOTAL ASSETS	\$ 53,015,176	\$ 10,907,664	\$ —	\$ 63,922,840

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS AT JUNE 30, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
ASSETS – INVESTMENTS				
Equity funds	\$ 26,644,077	\$ —	\$ —	\$ 26,644,077
Real estate funds	1,054,874	—	—	1,054,874
Fixed-income funds	16,032,582	—	—	16,032,582
Alternative assets funds	4,587,028	—	—	4,587,028
Money market funds	494,243	—	—	494,243
TOTAL INVESTMENTS	48,812,804	—	—	48,812,804
INVESTMENTS RESTRICTED FOR INVESTMENT IN BUILDING AND EQUIPMENT				
Corporate bonds	—	7,636,858	—	7,636,858
International bonds	—	527,212	—	527,212
TOTAL ASSETS	\$ 48,812,804	\$ 8,164,070	\$ —	\$ 56,976,874

Not included in the tables above is cash and accrued interest of \$15,868,718 and \$1,639,388 in 2020 and 2019, respectively.

LEVEL 1 INPUTS

Fair values for the equity funds, real estate funds, fixed-income funds, alternative asset funds, commodity funds and money market funds were based on quoted market prices.

LEVEL 2 INPUTS

Fair values for corporate bonds and international bonds were based on quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

NOTE 5 – PLEDGES RECEIVABLE

The Food Depository discounted contributions due in more than one year using a rate of 0.66 and 2.00 percent as of June 30, 2020 and 2019, respectively.

Pledges receivable consist of the following as of June 30:

	2020	2019
Pledges receivable	\$ 9,045,844	\$ 3,204,005
Less discounts to net present value	(113,799)	(34,773)
TOTAL	8,932,045	3,169,232
Less current portion	(2,551,035)	(2,469,171)
LONG-TERM PORTION	\$ 6,381,010	\$ 700,061

Scheduled annual payments on pledges are as follows:

2021	\$ 2,551,035
2022	2,981,202
2023	2,416,037
2024	983,771
TOTAL	\$ 8,932,045

Pledges receivable amounts shown above include \$7,993,618 and \$1,982,554 of Nourish Capital Campaign pledges outstanding as of June 30, 2020 and 2019, respectively, that are included in assets restricted for investment in building and equipment on the statement of financial position.

NOTE 6 – NOURISH CAPITAL CAMPAIGN

In 2018, the Food Depository launched the Nourish Capital Campaign. The campaign seeks to raise approximately \$75 million to support capital improvements to the existing food depository facility and expansion of the facility to expand programmatic capabilities. During fiscal years 2020 and 2019, the campaign activity consisted of the following:

	2020	2019
Beginning balance	\$ 10,865,676	\$ 10,750,851
Cash donations	5,411,884	9,213,180
Pledges received	9,700,000	1,736,500
Payments on pledges	(3,612,756)	(5,072,659)
Net present value discount	(76,179)	(16,164)
NOURISH CAPITAL CAMPAIGN CONTRIBUTIONS	22,288,625	16,611,708
Campaign fund expenditures	7,993,618	(5,746,032)
NET ASSETS RESTRICTED FOR NOURISH CAPITAL CAMPAIGN	8,932,045	10,865,676
Plus campaign expenditures not yet paid	1,654,941	610,000
TOTAL ASSETS RESTRICTED FOR INVESTMENT IN BUILDING AND EQUIPMENT	\$ 9,648,559	\$ 11,475,676

Cash, investments and pledges raised through the Nourish Capital Campaign are restricted for the purposes noted above. Those restrictions are considered to expire as the assets constructed are placed in service or as payments are made related to the campaign. As disclosed in Note 9, the Food Depository had \$7,993,618 restricted for campaign purposes, all of which was for pledges outstanding as of June 30, 2020. As of June 30, 2019, the Food Depository had \$10,865,676 restricted for campaign purposes, of which \$719,052 was received in cash, \$8,164,070 of which was invested and \$1,982,554 of which was for pledges outstanding.

As further described in Note 8, the Food Depository entered into a \$30,000,000 line of credit agreement to provide liquidity during the campaign process.

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

NOTE 7 – LAND, BUILDING AND EQUIPMENT

The cost of land, building and equipment as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019	Depreciable Life – Years
Land	\$ 11,462,739	\$ 11,467,522	—
Building and building improvements	23,362,603	16,574,748	5-40
Equipment	14,624,709	12,625,185	3-10
Construction in progress	1,975,758	17,519,090	—
TOTAL COST	51,425,809	58,186,545	
Accumulated depreciation	12,750,798	17,866,433	
NET PROPERTY AND EQUIPMENT	\$ 38,675,011	\$ 40,320,112	

Depreciation expense for 2020 and 2019 was \$1,558,712 and \$1,028,439, respectively. As of June 30, 2020, there were no remaining commitments on construction in progress, as construction was paused due to COVID-19. As of June 30, 2019, remaining commitments on construction in progress totaled \$2,693,792 to be completed and paid in 2020.

In 2020, the Food Depository wrote off \$12,174,403 of building and equipment assets no longer in service due to the capital improvements to the Food Depository facility (see Note 6). Accumulated depreciation on those assets amounted to \$6,447,169, for a net loss on disposal of \$5,727,234 recorded as nonoperating expense on the statement of activities and changes in net assets.

NOTE 8 – LINE OF CREDIT

The Food Depository entered into a line of credit agreement with Bank of America on April 11, 2018. Per the agreement, the Food Depository had maximum available borrowings of \$20,000,000. On April 23, 2020, the Food Depository amended the line of credit agreement to increase the maximum available borrowings to \$30,000,000. The line of credit was also extended through July 31, 2021. As of June 30, 2020 and 2019, the outstanding borrowings on this line of credit were \$10,739,560 and \$11,000,000, respectively. Interest is payable monthly at LIBOR plus 1.15 percent (an effective rate of 2.40 and 3.15 percent at June 30, 2020 and 2019, respectively). Interest expense for the year ended June 30, 2020 and 2019 was \$287,417 and \$121,911, respectively, all of which was capitalized to the Nourish Capital Campaign. The line of credit is unsecured. Under the agreement with Bank of America, the Food Depository is subject to certain covenants, including meeting a minimum liquidity ratio and maintaining a positive change in net assets without donor restrictions.

Under the line of credit agreement, Bank of America, on behalf of the Food Depository, can issue up to \$1,000,000 of letters of credit, with the amounts issued and outstanding to be a reduction to the availability of the line of credit. The Food Depository had no letters of credit outstanding as of June 30, 2020 and 2019.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 are restricted for the following purposes:

	2020	2019
PURPOSE RESTRICTIONS		
Children's program	\$ 115,331	\$ 327,878
Food purchasing	17,037	113,139
Starbucks FoodShare program	1,190,637	1,048,978
Mobile pantry program	49,500	35,000
Older adults' program	10,000	10,000
Chicago's Community Kitchens	33,199	135,486
Share Our Strength	198,241	49,266
Nourish Capital Campaign	—	8,883,122
Other	313,979	170,148
TOTAL PURPOSE RESTRICTIONS	1,927,924	10,773,017
Time restrictions – Pledges receivable	478,785	716,278

	2020	2019
TIME AND PURPOSE RESTRICTIONS		
Children's program	3,140	180,000
Starbucks FoodShare program	—	75,000
Older adults' program	80,000	—
Chicago's Community Kitchens	15,000	73,000
Nourish Capital Campaign	7,993,618	1,982,554
Other	361,501	142,400
TOTAL TIME AND PURPOSE RESTRICTIONS	8,453,259	2,452,954
Not subject to appropriation or expenditure – Freedom from Hunger Fund Endowment (Note 10)	38,374	38,374
TOTAL	\$ 10,898,342	\$ 13,980,623

Net assets with donor restrictions with purpose restrictions represent cash received that is restricted by the donor for specific purposes. Net assets with donor restrictions with time restrictions represent pledge receivables as of June 30, 2020. Net assets with donor restrictions with time and purpose restrictions represent pledge receivables as of June 30, 2020 that are also restricted by the donor for specific purposes. See Note 10 for a description of net assets with donor restrictions not subject to appropriation or expenditure.

NOTE 10 – DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The Food Depository's endowment includes one donor-restricted endowment fund and two funds designated by the board of directors to function as endowments. The Food Depository's Founders' Fund represents one of the board-designated endowments. The Freedom from Hunger Fund consists of both board-designated and donor-restricted endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The objectives of the Founders' Fund and the board-designated Freedom from Hunger Fund endowments are (1) to provide a pool of capital that is managed for long-term investment, (2) to provide an identified portion of the fund to be applied toward the annual operating budget, and (3) to be a potential source of funds for targeted capital projects.

The objectives of the permanently restricted Freedom from Hunger Fund endowment are (1) to provide a pool of capital that is managed for long-term investment and (2) to be a source of funds of interest revenue that is to be used to purchase produce. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Food Depository is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because these net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Food Depository has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Food Depository considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Food Depository has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with SPMIFA, the Food Depository considers the following factors in making

NOTES TO FINANCIAL STATEMENTS – June 30, 2020 and 2019

a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Food Depository and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Food Depository
- The investment policies of the Food Depository

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Founders' Fund Endowment	\$ 46,742,372	\$ —	\$ 46,742,372
Freedom from Hunger Fund endowment – Board designated	475,072	—	475,072
Freedom from Hunger Fund endowment – Donor restricted	—	38,374	38,374
TOTAL FUNDS	\$ 47,217,444	\$ 38,374	\$ 47,255,818

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – Beginning of year	\$ 50,413,818	\$ 38,374	\$ 50,452,192
Investment return – Net of expenses	533,568	—	533,568
Board transfers	3,883,076	—	3,883,076
Appropriation of endowment assets for expenditure	(7,613,018)	—	(7,613,018)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 47,217,444	\$ 38,374	\$ 47,255,818

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Founders' Fund Endowment	\$ 49,938,746	\$ —	\$ 49,938,746
Freedom from Hunger Fund endowment – Board designated	475,072	—	475,072
Freedom from Hunger Fund endowment – Donor restricted	—	38,374	38,374
TOTAL FUNDS	\$ 50,413,818	\$ 38,374	\$ 50,452,192

CHANGES IN ENDOWMENT NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets – Beginning of year	\$ 47,457,761	\$ 38,374	\$ 47,496,135
Investment return – Net of expenses	2,219,411	—	2,219,411
Board transfers	1,860,479	—	1,860,479
Appropriation of endowment assets for expenditure	(1,123,833)	—	(1,123,833)
ENDOWMENT NET ASSETS - END OF YEAR	\$ 50,413,818	\$ 38,374	\$ 50,452,192

RETURN OBJECTIVES AND RISK PARAMETERS

The Food Depository has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Food Depository must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce an average rate of return that allows the growth of the fund's assets to be sufficient to offset or exceed inflation plus required spending and investment management fees. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Food Depository relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Food Depository targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Food Depository has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value at the end of the prior three calendar years preceding the fiscal year in which the distribution is planned. In establishing this policy, the Food Depository considered the long-term expected return on its endowment. Accordingly, over the long term, the Food Depository expects the current spending policy to allow its endowment to grow at a rate sufficient to offset or exceed inflation, plus required spending and investment management fees. This is consistent with the Food Depository's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. The Food Depository has a policy that permits spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. In 2020, the Food Depository issued a one-time special appropriation of \$5,400,000.

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Food Depository sponsors a defined contribution retirement plan for all employees. Employees are subject to a graded vesting schedule and are 100 percent vested when they reach six years of service. The plan was amended as of March 1, 2014. Effective with the plan year beginning on July 1, 2014, there are two special service requirements in order to receive an employer contribution: (1) complete a year of service and (2) be employed by the Food Depository on the last day of the plan year (June 30, 2020). The Food Depository made a contribution of \$676,992 and \$558,177 for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Food Depository has a conflict of interest policy whereby board members must advise the board of directors of any direct or indirect material interest in any transaction or relationship with the Food Depository and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

NOTE 13 – ENVIRONMENTAL REMEDIATION LIABILITY

The Food Depository recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. On December 3, 2018, the Food Depository purchased land at 4200 W. Ann Lurie Place. As a result of the purchase, the Food Depository performed an environmental study that indicated that further action is needed to meet standards set by the Illinois Environmental Protection Agency and allow for building construction. As of the June 30, 2019, the estimate of the environmental remediation liability was \$610,000. Based on additional information obtained in 2020, the current estimate of the environmental remediation liability is \$1,654,941 as of June 30, 2020 and is recorded in accrued expenses on the statement of financial position.