

**RIVER BEND FOOD RESERVOIR D/B/A RIVER BEND FOODBANK**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEAR ENDED JUNE 30, 2017**

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## Independent Auditors' Report

Board of Directors  
River Bend Food Reservoir d/b/a River Bend Foodbank  
Davenport, Iowa

We have audited the accompanying financial statements of River Bend Food Reservoir d/b/a River Bend Foodbank (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows 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 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.

### ***Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 River Bend Food Reservoir d/b/a River Bend Foodbank as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of River Bend Food Reservoir d/b/a River Bend Foodbank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 River Bend Food Reservoir d/b/a River Bend Foodbank's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helms LLP". The signature is written in a cursive style.

December 14, 2017

**River Bend Food Reservoir d/b/a River Bend Foodbank  
Statement of Financial Position  
June 30, 2017**

**Assets**

Current Assets	
Cash and cash equivalents	\$ 1,222,809
Accounts receivable, net	80,622
Unconditional promises to give	364,197
Grants receivable	30,856
Other receivables	3,122
Inventory	<u>2,154,155</u>
Total Current Assets	3,855,761
Unconditional Promises to Give	205,000
Investments, at fair value	1,765,146
Property and Equipment, net	<u>2,831,413</u>
Total Assets	<u>\$ 8,657,320</u>

**Liabilities and Net Assets**

Current Liabilities	
Current maturities of capital lease obligations	\$ 62,612
Accounts payable	77,195
Accrued expenses	<u>13,874</u>
Total Current Liabilities	153,681
Long-term Capital Lease Obligations	<u>283,440</u>
Total Liabilities	<u>437,121</u>
Net Assets	
Unrestricted	
Undesignated	7,445,900
Board designated endowment	<u>22,281</u>
Total Unrestricted	7,468,181
Temporarily restricted	<u>752,018</u>
Total Net Assets	<u>8,220,199</u>
Total Liabilities and Net Assets	<u>\$ 8,657,320</u>

**River Bend Food Reservoir d/b/a River Bend Foodbank  
Statement of Activities  
Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Program fees	\$ 360,251	\$ -	\$ 360,251
Contributions	1,469,173	882,508	2,351,681
Government grants	287,940	-	287,940
Investment income	124,286	-	124,286
Special events	36,910	-	36,910
Other income	69,922	-	69,922
Consumable product donations/receipts	<u>22,746,105</u>	<u>-</u>	<u>22,746,105</u>
	25,094,587	882,508	25,977,095
Net assets released from restrictions			
Satisfaction of time and usage restrictions	<u>453,895</u>	<u>(453,895)</u>	<u>-</u>
Total Support and Revenue	<u>25,548,482</u>	<u>428,613</u>	<u>25,977,095</u>
Expenses			
Program services - food distribution	<u>24,209,070</u>	<u>-</u>	<u>24,209,070</u>
Supporting activities			
Management and general	497,704	-	497,704
Fundraising	<u>419,034</u>	<u>-</u>	<u>419,034</u>
Total Supporting Activities	<u>916,738</u>	<u>-</u>	<u>916,738</u>
Total Expenses	<u>25,125,808</u>	<u>-</u>	<u>25,125,808</u>
Change in Net Assets	422,674	428,613	851,287
Net Assets, Beginning of Year	<u>7,045,507</u>	<u>323,405</u>	<u>7,368,912</u>
Net Assets, End of Year	<u>\$ 7,468,181</u>	<u>\$ 752,018</u>	<u>\$ 8,220,199</u>

**River Bend Food Reservoir d/b/a River Bend Foodbank  
Statement of Functional Expenses  
Year Ended June 30, 2017**

	Program Services	Supporting Activities		Total
		Management and General	Fundraising	
Food and product distributed	\$ 23,092,162	\$ -	\$ -	\$ 23,092,162
Salaries and related items	556,867	178,503	149,626	884,996
Employee benefits	72,158	23,130	19,388	114,676
Insurance	33,171	1,471	-	34,642
Rental and maintenance	51,408	4,673	-	56,081
Utilities and telephone	63,468	5,770	-	69,238
Vehicle expense	18,837	-	-	18,837
Freight	111,758	-	-	111,758
Dues and subscriptions	-	26,181	-	26,181
Warehouse supplies	44,933	-	-	44,933
Office supplies and printing	-	40,939	-	40,939
Professional fees	-	55,504	250,020	305,524
Other expenses	-	146,771	-	146,771
Total Expenses Before Depreciation and Amortization	24,044,762	482,942	419,034	24,946,738
Depreciation and amortization	164,308	14,762	-	179,070
Total Expenses	<u>\$ 24,209,070</u>	<u>\$ 497,704</u>	<u>\$ 419,034</u>	<u>\$ 25,125,808</u>

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Statement of Cash Flows**  
**Year Ended June 30, 2017**

Cash Flows From Operating Activities	
Change in net assets	\$ 851,287
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	179,070
Realized and unrealized gains on investments	(75,587)
Donated securities	(50,047)
(Increase) decrease in assets	
Accounts receivable, net	75,098
Unconditional promises to give	(274,197)
Grants receivable	(30,856)
Inventory	(148,465)
Decrease in liabilities	
Accounts payable	(41,752)
Accrued expenses	(19,245)
Deferred revenue	(16,417)
Net Cash Provided by Operating Activities	<u>448,889</u>
 Cash Flows From Investing Activities	
Proceeds from sales of investments	1,069,875
Purchases of investments	(1,078,384)
Purchases of property and equipment	(282,714)
Net Cash Used in Investing Activities	<u>(291,223)</u>
 Cash Flows From Financing Activities	
Payments on capital lease obligations	(57,828)
Net Cash Used in Financing Activities	<u>(57,828)</u>
 Net Increase in Cash and Cash Equivalents	99,838
 Cash and Cash Equivalents, Beginning of Year	<u>1,122,971</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 1,222,809</u>

Supplemental Disclosures of Cash Flow Information

Noncash Investing and Financing Activities

The Organization acquired property and equipment of \$403,880 using capital leasing arrangements.



**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**1. Nature of Operations and Basis of Presentation**

**Organization**

River Bend Food Reservoir d/b/a River Bend Foodbank (the "Organization"), is a not-for-profit organization established in 1982 to collect donations of wholesome food from the food industry for distribution to more than 300 charitable community organizations that support the hungry in 22 counties in western Illinois and eastern Iowa.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of the Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified into three categories of net assets, as applicable, and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside to help ensure the long-term financial stability of the Organization.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Organization. As of June 30, 2017, there were no permanently restricted net assets.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**Fair Value Measurements**

The Organization follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

**Cash and Cash Equivalents**

The Organization considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Investments**

The Organization carries investments at fair value with unrealized holding gains and losses included in earnings. Realized gains and losses are included in earnings and are derived using primarily the specific identification method for determining the cost of securities sold. Dividend and interest income is recognized when earned.

**Accounts Receivable**

Accounts receivable are uncollateralized obligations due primarily for shared maintenance fees from member agencies under normal trade terms generally requiring payment within 30 days of the invoice date.

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The allowance for doubtful accounts totaled \$21,944 as of June 30, 2017.

**Grants Receivable**

Grants receivable includes amounts due from various funding sources under binding contracts with the Organization for services rendered prior to year-end.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**Unconditional Promises to Give**

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are to be received.

The Organization provides an allowance for doubtful promises to give equal to the estimated losses that will be incurred in the collection of unconditional promises to give. This estimate is based on historical experience coupled with a review of the current status of existing promises. The allowance and associated promises are reduced when the promises are determined to be uncollectible. The Organization considers unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful promises to give is deemed necessary.

**Inventory**

The Organization's inventory consists of donated food items, USDA product, and purchased product. The donated products received and distributed by the Organization have been valued and recorded in the accompanying financial statements in accordance with the FASB's guidance on accounting for contributions received and contributions made. Donated products are valued at fair value using product distribution pricing guidelines provided by Feeding America, a national consortium of regional food banks. The estimated fair value prices per pound of \$1.73 and \$1.52 were used in determining general donated and federal government donated product, respectively, as of and for the year ended June 30, 2017.

**Property and Equipment**

Property and equipment acquisitions with a life of 3 years or greater and a cost in excess of \$3,000 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. Donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose or period of time. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation and amortization is computed using the straight-line and accelerated methods over the estimated useful lives of the assets.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

The estimated lives for computing depreciation and amortization on property and equipment are:

<u>Classification</u>	<u>Years</u>
Building and improvements	5-40
Warehouse equipment	5-20
Vehicles	5
Office equipment	5
Vehicles under capital leases	6

**Long-Lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2017.

**Endowment Fund**

In 2015, the Board of Directors approved the establishment of an Endowment Fund (the "Endowment") to provide a continuous source of income to support the Organization's mission.

The State of Iowa has enacted the State Prudent Management of Institutional Funds Act ("SPMIFA"). The Organization follows FASB guidance on accounting for the net assets classification of restricted endowment funds for a not-for-profit organization that is subject to the enacted version of the SPMIFA. The Organization has determined that the Endowment meets the definition of endowment funds under SPMIFA.

The Organization has interpreted the SPMIFA as requiring the preservation of the original gift amount. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. There are no gifts with donor imposed restrictions included in the Endowment. The funds contributed by the Organization are included in unrestricted net assets as board designated. The remaining portion of funds may be appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**Support and Revenue**

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Government contracts are generally recognized as income in the period that specific services are provided.

**Donated Materials and Services**

Donated noncash assets are recorded as contributions at their fair values at the date of donation. Significant food products, services, and materials are donated to the Organization by various individuals, organizations, and state governments. Donated food products, with a fair value of \$22,018,019 at the date of donation, have been included in the financial statements for the year ended June 30, 2017.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Functional Expense Allocation**

The Organization allocates expenses on a functional basis among various programs and supporting activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Organization files as a tax exempt organization.

The Organization follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization's returns for tax periods 2013 and later remain subject to examination by taxing authorities.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**Subsequent Events**

The Organization has evaluated subsequent events through December 14, 2017, the date the financial statements were available to be issued.

**Recent Accounting Pronouncements**

**Revenue from Contracts with Customers**

The FASB has issued new guidance on the recognition of revenue from contracts with customers. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should apply a five step process to (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be required for the first fiscal year beginning after December 15, 2018. Based on a preliminary analysis, the Organization has not yet determined what impact, if any, this new guidance will have on its financial statements.

**Leases**

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal year beginning after December 15, 2019. Based on a preliminary analysis, the Organization does not expect the new guidance will have a significant impact on its financial statements.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**Not-for-Profit Entities**

The FASB has issued new guidance on financial reporting for not-for-profit entities. The guidance requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than that of the currently required three classes. Not-for-profit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a not-for-profit entity to continue to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a not-for-profit entity will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets. The guidance also requires a not-for-profit entity to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The guidance also requires enhanced disclosures about the following:

- Amounts and purposes of governing board designations, appropriations, etc.,
- Composition of net assets with donor restrictions at the end of the period,
- Qualitative information that communicates how an entity manages its liquid resources,
- Quantitative and additional qualitative information, as necessary, that communicates the availability of an entity's financial assets,
- Amounts of expenses by both their natural classification and their functional classification.
- Method(s) used to allocate costs among program and support functions.
- Underwater endowment funds.

The guidance also requires that the Organization report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses. The guidance also requires that the Organization use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, the Organization does expect the new guidance will have a significant impact on the presentation of its financial statements.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**3. Fair Value Measurements**

The framework for measuring fair value establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into Levels 1, 2, and 3. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical instruments in active markets.  |
| Level 2 | Inputs to the valuation methodology to include quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, inputs other than quoted prices that are observable for the instrument, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

The instruments' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, grants receivable, promises to give, accounts payable, accrued expenses, and capital lease obligations approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at June 30, 2017.

Following is a description of the valuation methodologies used for instruments measured at fair value:

- |         |   |
|---------|---|
| Level 1 | Instruments consist of publicly traded common stock, preferred stock, and mutual funds. These securities are traded on national exchanges and are stated at the last reported sales price on the day of valuation.  |
| Level 2 | Instruments consist of government and agency obligations and unit investment trusts. These securities are valued using evaluated pricing, which incorporates modeling techniques, information from extensive market sources, observed transaction data, credit quality information, perceived market movements, news, and other relevant information. |



**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

The following table presents the fair value measurements of instruments recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements are categorized at June 30, 2017:

	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Investments:				
Equity mutual funds	\$ 519,116	\$ 519,116	\$ -	\$ -
Common stock	504,133	504,133	-	-
Preferred stock	85,730	85,730	-	-
Government and agency obligations	343,371	-	343,371	-
Unit investment trusts	290,515	-	290,515	-
Endowment fund	22,281	22,281	-	-
Total Investments	<u>\$ 1,765,146</u>	<u>\$ 1,131,260</u>	<u>\$ 633,886</u>	<u>\$ -</u>

**4. Investments**

A summary of the cost and fair value of the Organization's investments as of June 30, 2017 is as follows:

	Cost	Unrealized Gains (Losses)	Fair Value
Equity mutual funds	\$ 522,680	\$ (3,564)	\$ 519,116
Common stock	560,672	(56,539)	504,133
Preferred stock	83,901	1,829	85,730
Government and agency obligations	264,722	78,649	343,371
Unit investment trusts	297,495	(6,980)	290,515
Endowment fund	22,281	-	22,281
	<u>\$ 1,751,751</u>	<u>\$ 13,395</u>	<u>\$ 1,765,146</u>

Investment income for the year ended June 30, 2017 is summarized as follows:

Interest and dividend income	\$ 48,699
Net realized and unrealized gains on investments reported at fair value	75,587
Total Investment Income	<u>\$ 124,286</u>

**5. Unconditional Promises to Give**

Unconditional promises to give at June 30, 2017 are as follows:

Less than one year	\$ 364,197
One to five years	205,000
Total unconditional promises to give	<u>\$ 569,197</u>

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**6. Inventory**

The Organization distributes products to approximately 300 social service agencies for use in their food distribution and on-site serving programs. The Organization distributes USDA product primarily through The Emergency Food Assistance Program ("TEFAP") in Iowa and Illinois. Food products distributed, in pounds, during the year ended June 30, 2017 are as follows:

Donated products	10,139,710
Purchased products	1,571,567
Iowa USDA (TEFAP)	1,216,611
Illinois USDA (TEFAP)	<u>1,635,940</u>
	<u><u>14,563,828</u></u>

Inventory as of June 30, 2017 is as follows:

	<u>Pounds</u>	<u>Amount</u>
Donated products	810,300	\$ 1,393,102
Purchased products	547,082	331,844
Iowa USDA (TEFAP)	85,263	129,600
Illinois USDA (TEFAP)	<u>197,111</u>	<u>299,609</u>
	<u>1,639,756</u>	<u>\$ 2,154,155</u>

**7. Grants Receivable**

Grants receivable at June 30, 2017 are as follows:

Iowa Department of Human Services (TEFAP)	\$ 14,677
Feeding Illinois - SNAP reimbursements	<u>16,179</u>
	<u>\$ 30,856</u>

**8. Property and Equipment**

Property and equipment at June 30, 2017 is as follows:

Land	\$ 236,000
Building and improvements	2,157,423
Warehouse equipment	410,315
Vehicles	338,578
Office equipment	92,741
Vehicles under capital leases	<u>403,880</u>
	3,638,937
Less accumulated depreciation and amortization	<u>807,524</u>
	<u>\$ 2,831,413</u>

Depreciation and amortization expense was \$179,070 for the year ended June 30, 2017.

**River Bend Food Reservoir d/b/a River Bend Foodbank**  
**Notes to Financial Statements**  
**June 30, 2017**

**9. Restricted Net Assets**

Temporarily restricted net assets at June 30, 2017 are as follows:

Backpack Program	\$	169,197
End Hunger in Scott County		61,900
Capacity Building		<u>520,921</u>
		<u><u>\$ 752,018</u></u>

Net assets totaling \$453,895 were released from donor restrictions during the year ended June 30, 2017, as a result of collection of pledges receivable and use of funds for their restricted purposes.

**10. Endowment Funds**

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the Organization, while also maintaining the purchasing power of those endowment assets over the long-term. Disbursements, other than amounts to pay investment fees, require the approval of the Board of Directors. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- ◆ The duration and preservation of the fund
- ◆ The purposes of the Organization 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 Organization
- ◆ The investment policies of the Organization

Endowment funds at June 30, 2017 are as follows:

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
<u>\$ 22,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,281</u>

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Changes in endowment net assets for the year ended June 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$ 16,763	\$ -	\$ -	\$ 16,763
Contributions	4,026	-	-	4,026
Investment income, net of fees	247	-	-	247
Net appreciation	<u>1,245</u>	<u>-</u>	<u>-</u>	<u>1,245</u>
Endowment net assets, end of year	<u>\$ 22,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,281</u>

**11. Agreements and Contracts**

The Organization has primary responsibility for warehousing, handling, and distributing USDA-donated foods under TEFAP within its Iowa and Illinois service territories. The Organization receives grants from the Iowa Department of Human Services and Illinois Department of Human Services to offset certain operating expenses incurred in the distribution of the food. The donated foods received by the Organization under TEFAP are distributed to food pantries and on-site serving centers.

In addition, the Organization has responsibility for warehousing, handling, repackaging and distributing USDA-donated and other foods under Temporary Assistance for Needy Families programs. The Organization receives grants through the Illinois Department of Human Services to offset certain expenses incurred in the repackaging and distribution of this food.

**12. Retirement Plan**

The Organization maintains a contributory retirement savings plan under Section 403(b) of the Code. The plan covers employees that meet certain eligibility requirements. Employees may make discretionary contributions to the plan through payroll deductions up to the maximum amount allowed by the Code. There are no employer contributions to the plan.

The Organization also maintains a Simplified Employee Pension Plan ("SEP") for its full-time employees. The SEP covers employees that meet certain eligibility requirements. The SEP is funded monthly in an amount equal to 3 percent of the covered employees' wages for years of service 1-3, 4 percent of the covered employees' wages for years of service 5-9, and 5 percent of the covered employees' wages for 10 or more years of service. Employer contributions to the SEP were \$16,456 for the year ended June 30, 2017.

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**13. Affiliate Agreement**

The Organization is a member in the national network of Feeding America through an Affiliate Contract that is in place. The Affiliate Contract establishes the Organization's exclusive service area and sets forth a variety of compliance requirements. Dues are remitted to Feeding America by the Organization based on a formula defined in the agreement.

**14. Risks and Uncertainties**

**Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, receivables, and investments. The Organization maintains its cash primarily with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017, there were cash balances of \$1,054,819 in excess of federally insured limits at this bank. The Organization performs ongoing credit evaluations of its customers and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of its customer base, management does not believe significant credit risk exists at June 30, 2017. The Organization maintains its investments primarily with one brokerage firm. Securities held at this firm are insured by the Securities Investor Protection Corporation up to \$500,000. As of June 30, 2017, there were investment balances of \$1,249,495 in excess of SIPC limits at the brokerage firm.

**Investments**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

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**15. Commitments and Contingencies**

**Leases**

The Organization leases vehicles and equipment under noncancellable operating and capital leases. Future minimum lease payments at June 30, 2017, are as follows:

	Capital Leases	Operating Leases
2018	\$ 76,109	\$ 1,873
2019	76,109	1,873
2020	76,109	1,873
2021	76,109	-
2022	59,463	-
Thereafter	21,809	-
	385,708	\$ 5,619
Implied interest	39,656	
Present value of future minimum payments	346,052	
Less current maturities	62,612	
Long-term capital lease obligation	\$ 283,440	

The capital leases require monthly payments of \$6,343 as of June 30, 2017. The leased assets totaled \$403,880 as of June 30, 2017. Amortization expense for the year ended June 30, 2017 was \$62,747. At June 30, 2017, accumulated amortization related to capital leased assets totaled \$62,747.

Rent expense related to operating leases for the year ended June 30, 2017 totaled \$2,717.