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2013

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ANNUAL

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REPORT

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## Dear Friends and Supporters,

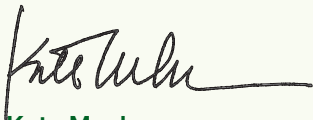
As we closed out the 2012-2013 fiscal year, one number stood out among the rest – 5,511,834. That is the number of individuals served by a Greater Chicago Food Depository member food pantry in the last year. This statistic is a record for the Food Depository and a reminder that hundreds of thousands of men, women and children in our community continue to struggle putting food on their table. But in the face of this immense need, the Food Depository was able to respond every day thanks to dedicated supporters like you. As hunger has risen in every neighborhood, our loyal donors, partners, volunteers and advocates have also risen.

There are many reasons to be proud of the local impact we made together over the last 12 months. We continued our commitment to distributing nutritious food, especially fresh produce. Our dedication to food safety was recognized among the highest in the food industry. We increased our outreach to children, older adults and veterans. And our 28th Annual Hunger Walk drew a record crowd to raise their voice against hunger.

Between these milestones and benchmarks, we worked daily to fight hunger in our community with urgency and efficiency. From Hoffman Estates to Harvey, South Shore to Oak Park and all communities in between, our network of 650 pantries, soup kitchens, shelters and programs provided nutritious food for hundreds of thousands of individuals and families in need.

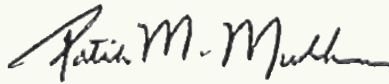
Like us, you believe no one should go hungry.

Thank you,



**Kate Maehr**

Executive Director and CEO  
Greater Chicago Food Depository



**Patrick M. Mulhern**

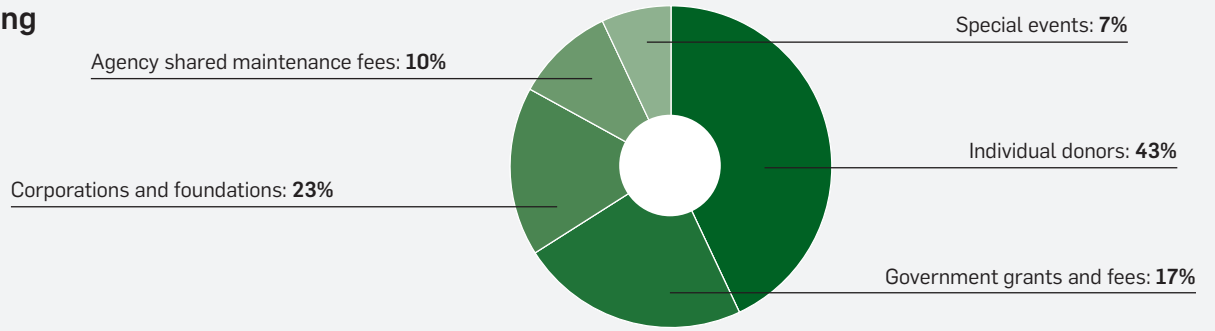
Board Chair  
Greater Chicago Food Depository

The Greater Chicago Food Depository has taken much of its annual report online.

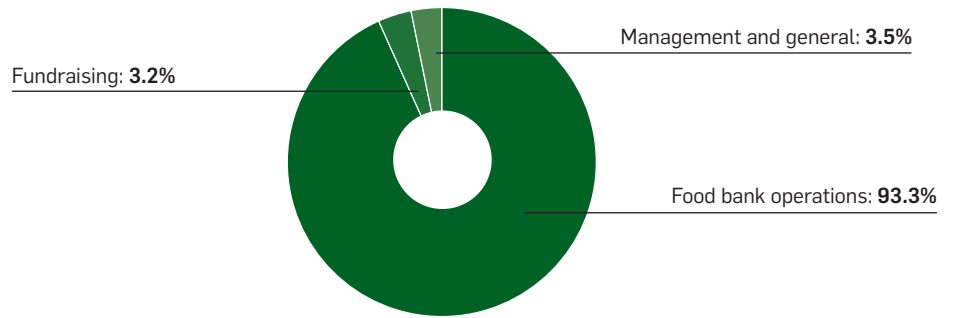
Visit [chicagosfoodbank.org/annualreport](http://chicagosfoodbank.org/annualreport) for a glimpse of the day-to-day work your support makes possible.

**THANK YOU**

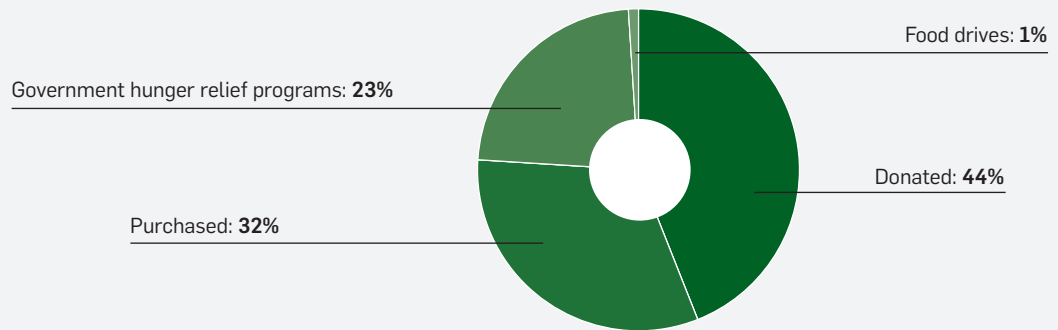
## Where Our Funding Comes From



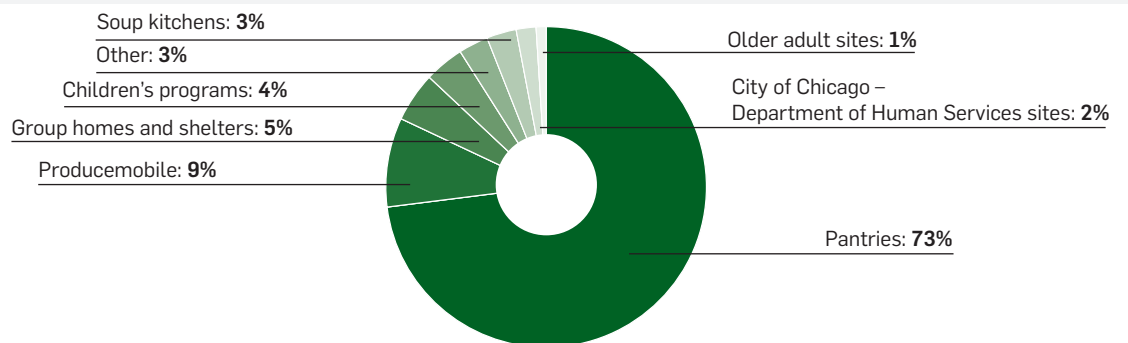
## How We Use Our Resources



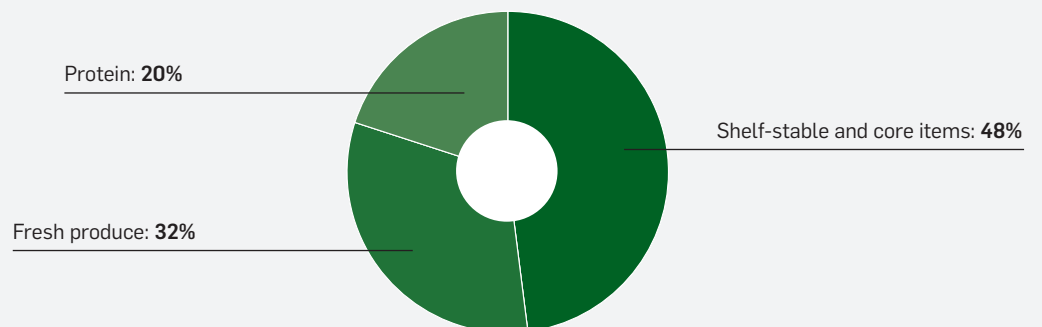
## Where Our Food Comes From



## Where Our Food Goes



## Total Distribution By Food Type



# Independent Auditor's Report

Board of Directors

Greater Chicago Food Depository

Chicago, Illinois

We have audited the accompanying financial statements of Greater Chicago Food Depository, which comprise the statement of financial position as of June 30, 2013 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.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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.

(CONTINUED)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Chicago Food Depository as of June 30, 2013 and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter - Change in Accounting Method**

As discussed in Note 11 to the financial statements, Greater Chicago Food Depository changed its accounting methodology for food provided by the Illinois Department of Human Services under The Emergency Food Assistance Program (TEFAP) of the United States Department of Agriculture (USDA). Accordingly, an adjustment has been made to net assets and inventory as of June 30, 2012 to reflect this treatment.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013 on our consideration of Greater Chicago 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 Greater Chicago Food Depository's internal control over financial reporting and compliance.



September 16, 2013

## STATEMENT OF FINANCIAL POSITION – JUNE 30, 2013

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 12,866,268
Accounts receivable	539,158
Pledge receivable	2,062,800
Inventory	
Contributed food	11,650,195
Purchased food programs	1,178,662
Other current assets	214,542

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TOTAL CURRENT ASSETS \$ 28,511,625

#### NONCURRENT ASSETS

Investments—Certificates of deposit	264,983
Investments—Securites	29,552,764
Noncurrent pledges receivable	1,626,416
Land, building and equipment, net of accumulated depreciation	22,334,396

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TOTAL NONCURRENT ASSETS 53,778,559

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**TOTAL ASSETS \$ 82,290,184**

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### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts payable	\$ 784,630
Accrued expenses	1,440,327
Deferred revenue	780,806

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TOTAL LIABILITIES \$ 3,005,763

#### NET ASSETS

Unrestricted	
Operating	33,371,532
Board-designated endowments	29,517,065

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TOTAL FOOD BANK 62,888,597

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Contributed food 11,650,195

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TOTAL UNRESTRICTED 74,538,792

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Temporarily Restricted 4,709,930

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Permanently Restricted 35,699

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TOTAL NET ASSETS 79,284,421

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**TOTAL LIABILITIES AND NET ASSETS \$ 82,290,184**

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The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES – JUNE 30, 2013**

	<i>UNRESTRICTED</i>			TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	FOOD BANK	CONTRIBUTED FOOD	TOTAL			
<b>PUBLIC SUPPORT AND REVENUE</b>						
<b>PUBLIC SUPPORT</b>						
Contributions and grants	\$19,513,656	\$ –	\$19,513,656	\$ 7,339,365	\$ 1,900	\$26,854,921
Contributed food received	–	78,081,874	78,081,874	–	–	78,081,874
Satisfaction of program restrictions	3,878,812	–	3,878,812	(3,878,812)	–	–
<b>REVENUE</b>						
Fees and grants from government agencies	6,179,023	–	6,179,023	–	–	6,179,023
Feeding program revenue	3,464,372	–	3,464,372	–	–	3,464,372
Investment income	2,072,339	–	2,072,339	2,939	–	2,075,278
Other income	51,264	–	51,264	–	–	51,264
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>35,159,466</b>	<b>78,081,874</b>	<b>113,241,340</b>	<b>3,463,492</b>	<b>1,900</b>	<b>116,706,732</b>
<b>OPERATING EXPENSES</b>						
Food bank operations	27,447,454	–	27,447,454	–	–	27,447,454
Contributed food distributed	–	72,946,798	72,946,798	–	–	72,946,798
<b>TOTAL PROGRAM EXPENSES</b>	<b>27,447,454</b>	<b>72,946,798</b>	<b>100,394,252</b>	<b>–</b>	<b>–</b>	<b>100,394,252</b>
Management and general	3,738,325	–	3,738,325	–	–	3,738,325
Fundraising	3,496,685	–	3,496,685	–	–	3,496,685
<b>TOTAL OPERATING EXPENSES</b>	<b>34,682,464</b>	<b>72,946,798</b>	<b>107,629,262</b>	<b>–</b>	<b>–</b>	<b>107,629,262</b>
Increase in Net Assets from Operations	477,002	5,135,076	5,612,078	3,463,492	1,900	9,077,470
<b>INCREASE IN NET ASSETS</b>	<b>477,002</b>	<b>5,135,076</b>	<b>5,612,078</b>	<b>3,463,492</b>	<b>1,900</b>	<b>9,077,470</b>
<b>NET ASSETS, BEGINNING OF YEAR, AS ADJUSTED</b>	<b>62,411,595</b>	<b>6,515,119</b>	<b>68,926,714</b>	<b>1,246,348</b>	<b>33,799</b>	<b>70,206,951</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$62,888,597</b>	<b>\$11,650,195</b>	<b>\$74,538,792</b>	<b>\$ 4,709,930</b>	<b>\$ 35,699</b>	<b>\$ 79,284,421</b>

**STATEMENT OF FUNCTIONAL EXPENSES – YEAR ENDED JUNE 30, 2013**

	FOOD BANK PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries	\$ 6,009,946	\$ 1,008,574	\$ 1,093,907	\$ 8,112,427
Employee fringe benefits	1,362,951	283,121	287,453	1,933,525
<b>TOTAL SALARIES AND FRINGE BENEFITS</b>	<b>7,372,897</b>	<b>1,291,695</b>	<b>1,381,360</b>	<b>10,045,952</b>
Cost of food sold	14,429,515	-	-	14,429,515
Occupancy and utility costs	431,361	18,163	4,541	454,065
Trucking, freight and storage	1,132,497	-	-	1,132,497
Direct mail and special events	202,753	1,126	2,026,142	2,230,021
Purchase, maintenance and equipment rental	470,612	48,029	-	518,641
Office supplies	67,092	45,729	354	113,175
Building maintenance and renovation expense	180,026	-	-	180,026
Professional and contractual fees	248,552	1,926,190	20,366	2,195,108
Insurance	161,078	17,366	-	178,444
Telecommunications	43,238	42,463	3,174	88,875
Meetings, conferences, conventions and local transportation	121,612	14,707	7,335	143,654
Licenses, fees and local dues	66,133	17,923	790	84,846
National dues (Feeding America)	38,913	-	-	38,913
Printing	294,857	180,296	1,060	476,213
Postage	19,783	3,742	41,461	64,986
Member agencies development	1,007,771	351	-	1,008,122
Education and training	138,385	29,319	-	167,704
Miscellaneous	61,081	61,340	130	122,551
<b>TOTAL EXPENSES BEFORE CONTRIBUTED FOOD DISTRIBUTION AND DEPRECIATION</b>	<b>26,488,156</b>	<b>3,698,439</b>	<b>3,486,713</b>	<b>33,673,308</b>
Contributed food distribution	72,946,798	-	-	72,946,798
Depreciation	959,298	39,886	9,972	1,009,156
<b>TOTAL EXPENSES</b>	<b>100,394,252</b>	<b>3,738,325</b>	<b>3,496,685</b>	<b>107,629,262</b>

The accompanying notes are an integral part of the financial statements.



## STATEMENT OF CASH FLOWS – YEAR ENDED JUNE 30, 2013

### CASH FLOWS FROM OPERATING ACTIVITIES

**2013**

Change in net assets	\$ 9,077,470
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Credits to agency accounts receivable balances	164,971
Decrease in allowance for uncollected pledges and discount to net present value	27,077
Depreciation	1,009,156
Gain on sale and disposal of fixed assets	(4,509)
Increase in inventory – Contributed food	(5,135,076)
Contributions restricted for long-term investments	(1,900)
Donated investments	(374,076)
Unrealized and realized gains on investments	(1,477,456)
Decrease (increase) in	
Accounts receivable	126,504
Capital campaign pledges	-
Other pledges	(2,928,336)
Inventory – Purchased	1,144,356
Other current assets	7,886
Increase (decrease) in	
Accounts payable	16,418
Accrued expenses	118,904
Deferred revenue and other	(736,427)
Net Cash Provided by Operating Activities	1,034,962

### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	23,618,290
Purchase of investments – Securities	(27,257,268)
Purchase of investments – Certificates of deposit	(3,171)
Proceeds from sale and disposal of fixed assets	18,900
Purchased of fixed assets	(521,860)
Net Cash Use in Investing Activities	(4,145,109)

Net Cash Provided by Financing Activities – Collections of contributions restricted for investment in endowment	1,900
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Net Decrease in Cash and Cash Equivalents	(3,108,247)
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Cash and Cash Equivalents, Beginning of Year	15,974,515
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Cash and Cash Equivalents, End of Year	\$12,866,268
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The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS – JUNE 30, 2013

### NOTE 1 - DESCRIPTION OF OPERATIONS

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The solicitation, receipt, storage and distribution of donated products constitute the principal operational requirements of food banking.

The Greater Chicago Food Depository (GCFD or the "Depository") is a not-for-profit, tax-exempt (Section 501(c)(3)) food distribution center committed to providing nutritionally balanced food for hungry people in the greater Chicago area. GCFD is a charter member of Feeding America, a national network of food banks and food-rescue organizations. GCFD solicits, obtains and distributes donated and purchased foods to member agencies including soup kitchens, pantries and shelters and to other feeding organizations. These agencies provide the food to hungry people. The Depository's fiscal year ends on June 30.

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

#### Food Bank

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*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* — Represents 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 after food distributions during the year.

#### Government Programs

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GCFD administers several government programs as described below.

*The City of Chicago Emergency Food Box Program* — Under the Emergency Food Box Program with the City of Chicago's Department of Family and Support Services, the 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 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. Any surplus resulting from the program is recorded as deferred revenue to be used at a later date for the emergency food box program. During 2013, the program was modified to provide credits to agencies mutually selected by the City and GCFD to access food through GCFD's existing network. The City now refers clients to these agencies to access food. A reduced number of food boxes is still provided to the City.

*The Emergency Food and Shelter National Board Program of the Federal Emergency Management Agency (FEMA)* — Using FEMA grant money, GCFD 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* — Under this contract, GCFD 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* — Under this contract, GCFD 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* — GCFD provides Kid's Cafés with meals served to children in aftercare programs.

*SNAP/Food Stamp Outreach Program* — The 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 Greater Chicago Food Depository hosts AmeriCorps members through the AmeriCorps State/National Program. The individuals are placed in member agencies and are utilized to assist with day-to-day pantry operations, community volunteer recruitment and retention, fundraising and nutrition and health education.

*CEDA Family Nutrition Program* — The objective of the Family Nutrition Program is to increase the self-sufficiency of low-income persons in the suburban Cook County areas of Calumet Park, Calumet City, Chicago Heights, Dolton, Ford Heights, Harvey, Hazel Crest and Markham by providing them with access to fresh, nutritious produce.

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

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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Significant accounting policies followed by GCFD are presented below.

#### Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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

GCFD'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. GCFD 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 GCFD.

GCFD classifies its net assets and related activity as unrestricted, temporarily restricted and permanently restricted as follows:

*Unrestricted* — Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted* — Net assets that are subject to donor-imposed restrictions that will be met either by actions of GCFD and/or the passage of time.

*Permanently Restricted* — Net assets that are subject to donor-imposed restrictions that they be maintained in perpetuity.

#### Revenue and Public Support

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Public support and revenue are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time 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 cash 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 such factors as prior collection history, type of contribution and nature of fundraising activity.

**Revenue and Public Support (Continued)**

Contributions received with donor-imposed restrictions are reported as revenue of the permanently restricted or temporarily restricted net asset class as required by the donor intent. Temporarily restricted net assets 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 unrestricted net asset class.

Revenue from government grant and contract agreements is recognized as it is earned through expenditures in accordance with the agreements. Any government grants received in advance of expenditures are recorded as deferred revenue on the statement of financial position. Management determines the allowances for doubtful accounts on its 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. GCFD did not record an allowance on its grant receivables as it expects to receive outstanding amounts due subsequent to fiscal year-end.

Feeding program revenue consists of handling fees from member agencies that receive donated food and revenue from GCFD's purchased food program. In the purchased food program, GCFD buys certain commodities and distributes them to agencies at cost or below cost. Revenue is recognized upon the agency's receipt of the food.

Revenue from contributed food received, as well as the related contributed food distributed expense and the contributed food inventory accounts, is estimated by valuing GCFD's respective pounds of food at a weighted-average wholesale price per pound, by product category, as determined by Feeding America. GCFD treats contributed food as unrestricted contributions and records the revenue based on the pounds of food contributed, upon receipt, during the year.

**Credits to Agencies' Balances**

Under GCFD's program services, a member agency can pay in the form of donated services for the amount owed to GCFD for current food program charges. In the Agency Grant program, GCFD issues credits to agencies' balances to be used for future food purchases. In the Walk Bonus program, GCFD 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.

**Donated Goods and Services**

Donated legal services have been recorded in the statement of activities in the amount of \$213,203 for the year ended June 30, 2013.

Donated advertising and printing has been recorded in the statements of activities in the amount of \$934,737 for the year ended June 30, 2013.

In-kind contributions are recorded in contributions and grants on the statement of activities and the corresponding expense is recorded in professional and contractual fees on the statement of functional expenses.

**Cash and Cash Equivalents**

Cash and cash equivalents are composed primarily of available cash balances and certificates of deposit that mature in 90 days or less. GCFD maintains a significant portion of its cash and cash equivalents at US Bank, Bank of America and Chase Bank. As of June 30, 2013, the recorded cost plus accrued interest approximated fair value. GCFD maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. GCFD has not experienced any losses in such accounts. GCFD 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. GCFD uses this survey to calculate the weighted-average price per pound for its inventory by category.

Purchased food programs inventory includes the City of Chicago Food Box Program inventories and GCFD's purchased food products valued at the lower of cost (first-in, first-out) or market (net realizable value).

Activity in contributed inventory in pounds for the year ended June 30, 2013 was as follows:

	<b>2013</b>
Beginning Inventory	3,600,883
Receipts	45,558,817
Distributions	(43,498,326)
Ending Inventory	5,661,374

**Investments**

Investments are reported at fair value. Investment income, including net realized and unrealized gains (losses), is reflected in the statement of activities as an increase (decrease) in net assets. Interest and dividend income is recorded on the accrual basis. GCFD's investments include common collective trust fund, common short-term investment funds, and alternative asset funds.

GCFD'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.

**Land, Building and Equipment**

Land, building and equipment are stated at cost or the fair value at date of gift for donated assets, less accumulated depreciation. All expenditures for fixed assets over \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

**Functional Allocation of Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs based on direct expenditures incurred. Certain indirect expenditures that benefit more than one program are allocated to the benefited programs based on allocation formulas developed in accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

**Income Taxes**

GCFD is exempt from income taxes under 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 GCFD and recognize a tax liability if GCFD has taken uncertain tax positions 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 organization and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. GCFD is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for the years prior to 2010.

**Endowment**

Accounting principles generally accepted in the United States of America addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of UPMIFA is a requirement to classify the portion of donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditures. In addition, accounting principles generally accepted in the United States of America requires disclosures about an organization's donor-restricted and board-designated endowment funds. The objective of the disclosures is to provide information so that financial statement users can understand the net asset classification, net asset composition, changes in net asset compositions, spending policy and related investment policy pertaining to an organization's endowment funds.

**Subsequent Events**

The financial statements and related disclosures include evaluation of events up through and including September 16, 2013, which is the date the financial statements were available to be issued.

**Note 3 - 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 table presents information about GCFD's assets measured at fair value on a recurring basis at June 30, 2013 and the valuation techniques used by GCFD to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization 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 and liabilities 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.

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. GCFD's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

**FAIR VALUE MEASUREMENTS AS A REPORTING DATE USING:**

DESCRIPTION	Fair Values as of June 30, 2013	Quoted Prices	Significant	Significant
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Marketable bond funds	\$ 3,021,447	\$ 3,021,447	\$ -	-
NT Bond Index Fund	7,547,275	7,547,275	-	-
MFO PIMCO High Yield Bond Fund	1,790,646	1,790,646	-	-
Common collective trust funds				
NTCC Emerging Markets Fund (a)	1,130,734	-	1,130,734	-
NTCC International Securities Fund (b)	1,791,047	-	1,791,047	-
NTGI-QM Common Daily All Country World Ex-US Investable Market Index Fund (c)	2,312,818	-	2,312,818	-
NTGI-QM Common Daily Emerging Marketing Equity Index Fund - Lending (d)	1,159,716	-	1,159,716	-
NTGI-QM Common Daily Russell 1000 Equity Index Fund - Lending (e)	5,546,926	-	5,546,926	-
NTGI-QM Common Daily S&P 400 Equity Index Fund - Lending (f)	651,509	-	651,509	-
NTCC Small Cap fund (g)	1,281,379	-	1,281,379	-
Common trust short-term investment funds (h)	681,906	-	681,906	-
NT Diversified hedge Fund (i)	85,065	-	85,065	-
Makena Liquid Endowment Fund (j)	2,552,296	-	-	2,552,296
<b>TOTAL</b>	<b>\$ 29,552,764</b>	<b>\$ 12,359,368</b>	<b>\$ 14,641,100</b>	<b>\$ 2,552,296</b>

**• Level 1 Inputs**

Fair values for the marketable bond funds, NT bond index fund, and MFO PIMCO high yield bond fund were based on quoted market prices.

**• Level 2 Inputs**

*Common collective trust funds* — The fair values of these funds were based on respective net asset values per fund. The investment objectives of the funds vary and can be differentiated by the nature of their holdings. GCFD may transfer in and out of the funds on a daily basis without any prohibitive restrictions. There are no unfunded commitments associated with these funds.

- (a) *NTCC Emerging Markets Fund* — The primary objective of this fund is to invest in emerging markets securities by using a group of professional advisors to provide advice on specific investments.
- (b) *NTCC International Securities Fund* — The policy of this fund is to invest in non-U.S. securities markets or in securities of companies that predominantly derive their revenues from non-U.S. markets. The fund uses a pool of independent investment advisors covering the capitalization and style spectrum within the international stock universe.
- (c) *NTGI-QM Common Daily All Country World Ex-US Investable Market Index Fund* — The primary objective of this fund is to approximate the risk and return characteristics of the Morgan Stanley All Country World Ex-US Investable Market (MSCI ACWI Ex-US IMI) Index. This Index is commonly used to represent large, mid and small cap companies in the developed non-U.S. and emerging equity markets. This fund does not participate in securities lending.
- (d) *NTGI-QM Common Daily Emerging Markets Equity Index Fund - Lending* — The primary objective of this fund is to approximate the risk and return characteristics of the Morgan Stanley Emerging Markets (MSCI EM) Index. This Index is commonly used to represent global equity emerging markets. This Fund may participate in securities lending.
- (e) *NTGI-QM Common Daily Russell 1000 Equity Index Fund - Lending* — The primary objective of this fund is to provide investment results that exceed the overall performance of the Russell 1000 Index. The index is commonly used to represent the large cap segment of the U.S. equity market. This fund may participate in securities lending.
- (f) *NTGI-QM Common Daily S&P 400 Equity Index Fund - Lending* — The primary objective of the QM Daily S&P 400 Equity Index Fund is to approximate the risk and return characteristics of the S&P 400 Index. This Index is commonly used to represent the mid cap segment of the U.S. equity market. This Fund may participate in securities lending.
- (g) *NTCC Small Cap Fund* — The policy of this fund is to invest in small market capitalization securities by using a group of professional advisors to provide advice on specific securities to the investment manager. Characteristically, the fund will have a small capitalization orientation.

*Common Trust Short-Term Investment Funds* — The fair values were based on the return characteristics of U.S. dollar-based money market and cash indices listed on U.S. and international exchanges where the underlying values of the securities are based on quoted market prices. The investment objective of the fund varies and can be differentiated by the nature of its holdings. GCFD may transfer in and out of the fund on a daily basis without any prohibitive restrictions. There are no unfunded commitments associated with this investment fund.

- (h) *Common Short-Term Investment Fund* — The policy of this fund shall be to provide the same return characteristics of U.S. Dollar-based money market and cash indices listed on U.S. and international exchanges where the underlying values of the securities are based on quoted market prices.

*Hedge Fund* — The fair value was based on net asset value per share of the fund. GCFD has a restricted redemption period of 90 days. There are no unfunded commitments associated with this investment fund.

- (i) *NT Diversified Hedge Fund* — The fund's investment objective is to achieve attractive risk-adjusted returns through investments in a diversified portfolio of assets. The Master Fund will seek to provide investors with exposure to alternative investment strategies by investing in diversified markets, instruments and investment styles.

**• Level 3 Inputs**

*Investments in Entities that Calculate Net Asset Value per Share* — GCFD holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on the net asset value per share of the investment company. This investment has the ability to be redeemed at net asset value on a quarterly basis (with 95-day notice) once the six-month lock-up period has expired.

- (j) *Makena Liquid Endowment Fund* — The investment objective of Makena Liquid Endowment Fund is to achieve capital appreciation in a wide range of asset classes through proprietary asset allocation and careful selection of third-party investment managers.

The following table presents a reconciliation of the beginning and ending balances recorded for instruments classified as Level 3 in the fair value hierarchy.

**FAIR VALUE MEASUREMENTS USING  
SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)**

<b>PARTNERSHIPS</b>	
Assets	
Beginning balance, June 30, 2012	\$ -
Purchases and issuances	2,500,00
Total gains or losses (realized and unrealized) in change in assets	52,296
Ending balance, June 30, 2013	\$ 2,552,296
The amount of total gain or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	
	\$ 52,296

**Note 4 - Investments**

Investment income, shown below, is recorded in the statement of activities as increases in unrestricted and temporarily restricted net assets:

<b>2013</b>	
Interest and dividends	\$ 597,822
Net realized and unrealized gain	1,477,456
Investment income	2,075,278
Investment expenses	(104,652)
Investment income, net	\$ 1,970,626

Investment expenses are included in professional and contractual fees in the statement of functional expenses.

**Note 5 - Pledges Receivable**

The Depository discounted contributions due in more than one year using a rate of 1.4% as of June 30, 2013.

Pledges receivable consist of the following as of June 30, 2013:

<b>2013</b>	
Pledges receivable	\$ 3,723,255
Less discounts to net present value	(34,039)
Total	3,689,216
Less current position	(2,062,800)
Long-term portion	\$ 1,626,416

Scheduled annual payments on pledges are as follows:

2014	\$ 2,062,800
2015	945,452
2016	605,990
2017	39,176
2018	35,798
TOTAL	\$ 3,689,216

**Note 6 - Land, Building and Equipment**

The following table presents the components of land, building and equipment as of June 30, 2013:

	<b>2013</b>	Depreciable Life-Years
Land	\$ 7,813,720	-
Building	16,125,748	40
Equipment	10,872,069	3-10
Less accumulated depreciation	34,911,537 (12,577,141)	
Net Land, Building and Equipment	\$ 22,334,396	

**Note 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2013:

Pledges receivable - Time restricted	\$ 709,688
Purpose and Time restricted	
No Kid Hungry Illinois School Breakfast Project	2,979,528
Purpose Restricted	
Children's program	156,173
Food Purchasing	10,000
SNAP Outreach	120,175
Chicago's Community Kitchen	650,000
IT System Improvements	84,366
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 4,709,930

**Note 8 - Disclosures for Endowments****Endowment**

GCFD's endowment consists of two board-designated endowments and one donor-restricted endowment. GCFD's Founders' Fund represents one of the board-designated endowments. The Freedom from Hunger Fund consists of both board-designated and donor-restricted endowments.

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 towards 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 existences or absences of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of GCFD interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, GCFD classifies permanently restricted net assets as (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) the accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by GCFD. In accordance with UPMIFA, GCFD considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the donor-restricted endowment funds
3. General economic conditions
4. The expected total return from income and the appreciation of investments
5. Other resources of GCFD
6. The investment policy of GCFD

**Return Objectives and Risk Parameters**

GCFD 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. As of June 30, 2013, endowment assets include donor-restricted funds that GCFD must hold in perpetuity and board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended over time to provide 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.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

GCFD has a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, GCFD considered the long-term expected return on its endowment. Accordingly, over the long term, GCFD 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 GCFD'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.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, GCFD 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). GCFD 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.

Information regarding the endowment net assets as of June 30, 2013 and changes in endowment net assets for the year then ended follows.

**ENDOWMENT NET ASSETS YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Founders' Fund endowment	\$ 29,043,972	\$ -	\$ -	\$ 29,043,972
Freedom from Hunger Fund endowment - Board-designated	473,093	-	-	473,093
Freedom from Hunger Fund endowment - Donor-designated	-	-	35,699	35,699
	\$ 29,517,065	\$ -	\$ 35,699	\$ 29,552,764

**CHANGES IN ENDOWMENT NET ASSETS YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, Beginning of Year	\$ 24,028,455	\$ -	\$ 33,799	\$ 24,062,254
Investment Return				
Investment income	490,231	-	-	490,231
Net appreciation (realized and unrealized)	1,477,456	2,939	-	1,480,395
<b>Total Investment Return</b>	<b>1,967,687</b>	<b>2,939</b>	<b>-</b>	<b>1,970,626</b>
Board transfers	3,517,984	-	-	3,517,984
Contributions	-	-	1,900	1,900
Produce purchases	2,939	(2,939)	-	-
<b>Endowment Net Assets, End of Year</b>	<b>\$ 29,517,065</b>	<b>\$ -</b>	<b>\$ 35,699</b>	<b>\$ 29,552,764</b>

**Note 9 - Retirement Plan**

GCFD sponsors a defined-contribution retirement plan for all employees. Employees are subject to a graded vesting schedule and are 100% vested when they reach six years of service. During 2013, GCFD contributed \$383,796 to the plan.

**Note 10 - Related Parties**

For the year ended June 30, 2013, GCFD paid \$397,355 for food provided by a firm at which time a member of the Board of Directors was senior management of that firm.

GCFD 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 GCFD and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

During the year ended June 30, 2013, GCFD had revenue from the sale of food products in the amount of \$11,085, from member agencies with which members of the Board of Directors of GCFD are affiliated.

**Note 11 - Change in Accounting Method**

In 2013, GCFD changed its methodology to estimate and account for food provided by the Illinois Department of Human Services under The Emergency Food Assistance Program (TEFAP) of the United States Department of Agriculture (USDA). In prior years, GCFD treated USDA commodities received as a pass through. The change in accounting method reflects these commodities in contributed food received, contributed food distributed and ending inventory; this accounting method is used by comparable food banks. As a result of this change, beginning inventory and net assets have been adjusted by the value of TEFAP/USDA commodities.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, June 30, 2012 as originally reported	\$ 64,229,623	\$ 1,246,438	\$ 33,799	\$ 65,509,860
Recognition of TEFAP/USDA commodities as inventory	4,697,901	-	-	4,697,901
<b>Net assets, June 30, 2012, as adjusted-</b>	<b>\$ 68,926,714</b>	<b>\$ 1,246,438</b>	<b>\$ 33,799</b>	<b>\$ 70,206,951</b>



Greater Chicago Food Depository  
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