

Loaves & Fishes Community Pantry

Independent Auditor's Report and Financial Statements

June 30, 2013

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608 South Washington Street, Unit 307
Naperville, Illinois 60540**

Dated: September 4, 2013

Loaves & Fishes Community Pantry

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Independent Auditor's Report

To the Board of Directors
Loaves & Fishes Community Pantry

I have audited the accompanying financial statements of Loaves & Fishes Community Pantry (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statement of activities, functional expenses, and cash flows for 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Loaves & Fishes Community Pantry as of June 30, 2013 and 2012, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Robert R. Witt, Jr.

Naperville, Illinois
September 4, 2013

Loaves & Fishes Community Pantry
Statement of Financial Position
June 30, 2013 and 2012

		(Note 1 H.)
	June 30	June 30
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current Assets:		
Cash	(Note 2) \$ 971,797	\$ 766,766
Prepaid expenses	4,772	8,559
Pledges receivable	<u>267,303</u>	<u>118,953</u>
Total Current Assets	<u>1,243,872</u>	<u>894,278</u>
Deferred financing fees	4,588	6,316
Pledges receivable	353,667	164,500
Property and equipment:		
Furniture and office	112,919	107,879
Transportation	40,951	31,441
Warehouse	120,729	117,664
Land and building	(Note 6) <u>2,610,779</u>	<u>2,610,779</u>
	2,885,378	2,867,763
Accumulated depreciation	(Note 3) <u>312,841</u>	<u>193,569</u>
Net property and equipment	<u>2,572,537</u>	<u>2,674,194</u>
Total Assets	<u>\$ 4,174,664</u>	<u>\$ 3,739,288</u>
<u>Liabilities</u>		
Current Liabilities:		
Accounts payable	\$ 26,817	\$ 30,337
Accrued payroll	12,234	10,414
Building mortgage debt, current portion	(Note 6) <u>63,858</u>	<u>55,621</u>
Total Current Liabilities	102,909	96,372
Building mortgage debt, long-term portion	(Note 6) <u>1,069,633</u>	<u>1,260,896</u>
Total Liabilities	1,172,542	1,357,268
<u>Net Assets</u>		
Unrestricted	2,381,152	2,098,567
Temporarily restricted	(Note 1 B.) <u>620,970</u>	<u>283,453</u>
Total Net Assets	<u>3,002,122</u>	<u>2,382,020</u>
Total	<u>\$ 4,174,664</u>	<u>\$ 3,739,288</u>

Loaves & Fishes Community Pantry
Statement of Activities
For Twelve Months Ended June 30, 2013 and 2012

			(Note 1 B.)		(Note 1 H.)
	<u>2013</u>		<u>2013</u>	<u>2013</u>	<u>2012</u>
	<u>Unrestricted</u>		Temporarily <u>Restricted</u>	Combined <u>Total</u>	Combined <u>Total</u>
Operating					
Public support:					
In-kind contributions (Note 5)	\$ 9,667,645	\$ -	\$ 9,667,645	\$ 8,473,854	
Church	140,813	-	140,813	181,477	
Individual	609,844	311,333	921,177	446,879	
Organization and corporations	689,595	85,000	774,595	687,503	
Government grants	112,750	15,000	127,750	226,935	
Fundraising events, net of direct costs	9,530	-	9,530	6,623	
Other	250	-	250	593	
Net assets released from restrictions	73,816	(73,816)	-	-	
Total	<u>11,304,243</u>	<u>337,517</u>	<u>11,641,760</u>	<u>10,023,864</u>	
Expenses (Note 1 I.)					
Program	10,651,702		10,651,702	9,435,453	
Management	97,523		97,523	89,918	
Fundraising	273,647		273,647	214,155	
Total expenses	<u>11,022,872</u>		<u>11,022,872</u>	<u>9,739,526</u>	
Change in net assets from operating activities	<u>281,371</u>	<u>337,517</u>	<u>618,888</u>	<u>284,338</u>	
Other changes from operating activities:					
Nonoperating revenue					
Interest income	1,214	-	1,214	1,819	
Change in net assets from nonoperating activities	1,214	-	1,214	1,819	
Increase in net assets	282,585	337,517	620,102	286,157	
Net assets, beginning of year	2,098,567	283,453	2,382,020	2,095,863	
Net assets, end of year	<u>\$ 2,381,152</u>	<u>\$ 620,970</u>	<u>\$ 3,002,122</u>	<u>\$ 2,382,020</u>	

Loaves & Fishes Community Pantry
Statement of Functional Expenses
For Twelve Months Ended June 30, 2013

(Note 1 I.)

	<u>Program</u>	<u>Management</u>	<u>Fund-raising</u>	<u>Total</u>
Food and basic necessities	\$ 9,792,012	\$ -	\$ -	\$ 9,792,012
Salaries, payroll taxes, and employee benefits	511,658	33,984	174,964	720,606
Rent, utilities, and maintenance (Note 4)	48,469	3,695	1,491	53,655
Organizational development	62,242	1,041	61,213	124,496
Professional fees	15,492	8,308	13,735	37,535
Office	45,141	14,933	11,195	71,269
Other	35,017	9,845	4,750	49,612
	<u>10,510,031</u>	<u>71,806</u>	<u>267,348</u>	<u>10,849,185</u>
Interest	46,253	5,441	2,721	54,415
Depreciation	95,418	20,276	3,578	119,272
Total	<u>\$ 10,651,702</u>	<u>\$ 97,523</u>	<u>\$ 273,647</u>	<u>\$ 11,022,872</u>

Loaves & Fishes Community Pantry
Statement of Functional Expenses
For Twelve Months Ended June 30, 2012

(Note 1 H.)

	(Note 1 I.)			
	<u>Program</u>	<u>Management</u>	<u>Fund-raising</u>	<u>Total</u>
Food and basic necessities	\$ 8,618,114	\$ -	\$ -	\$ 8,618,114
Salaries, payroll taxes, and employee benefits	420,967	25,491	122,401	568,859
Rent, utilities, and maintenance (Note 4)	49,461	3,633	1,713	54,807
Organizational development	75,965	2,281	49,696	127,942
Professional fees	27,755	6,603	20,050	54,408
Office	36,393	9,737	4,575	50,705
Other	40,429	22,600	5,933	68,962
	<u>9,269,084</u>	<u>70,345</u>	<u>204,368</u>	<u>9,543,797</u>
Interest	67,840	7,981	3,991	79,812
Depreciation	<u>98,529</u>	<u>11,592</u>	<u>5,796</u>	<u>115,917</u>
Total	\$ <u>9,435,453</u>	\$ <u>89,918</u>	\$ <u>214,155</u>	\$ <u>9,739,526</u>

Loaves & Fishes Community Pantry
Statement of Cash Flows
For Twelve Months Ended June 30, 2013 and 2012

	(Note 1 H.)	
	<u>2013</u>	<u>2012</u>
Operating Activities:		
Increase in net assets	\$ 620,102	\$ 286,157
Depreciation	119,272	115,917
Changes in:		
Prepaid expenses	3,787	(1,665)
Security deposit	-	4,504
Pledges receivable	(337,517)	(10,787)
Accounts payable	(3,520)	5,089
Accrued payroll	1,820	1,487
Deferred contributions	-	(16,461)
Net cash flow provided by operating activities	<u>403,944</u>	<u>384,241</u>
Investing activities:		
Building construction (Note 6)	-	(7,912)
Acquisition of furniture and equipment, net of retirements	<u>(17,615)</u>	<u>(12,683)</u>
Net funds (used in) investing activities	(17,615)	(20,595)
Financing activities:		
Payments on mortgage borrowings	(183,026)	(310,159)
Amortization of deferred financing fees	1,728	9,347
Net funds provided by (used in) financing activities	<u>(181,298)</u>	<u>(300,812)</u>
Net increase in cash	205,031	62,834
Cash balance, beginning of year	<u>766,766</u>	<u>703,932</u>
Cash balance, end of year	<u>\$ 971,797</u>	<u>\$ 766,766</u>
Supplemental disclosure of cash flow information		
Interest received	<u>\$ 1,214</u>	<u>\$ 1,819</u>

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 1. - Summary of Significant Accounting Policies

A. Organization and Operations

Loaves & Fishes Community Pantry (the Organization) is a nonprofit organization incorporated in the State of Illinois that provides food and leadership in the community by uniting and mobilizing resources to empower people to be self-sufficient. The focus is to serve residents in the communities of Naperville, Illinois and DuPage County, Illinois for the purpose of ending hunger and empowering lives.

B. Basis of Presentation - Donor Contributions

In accordance with U.S. generally accepted accounting principles, the Organization records assets, liabilities, support, revenues, and expenses on the accrual basis of accounting.

The Organization's net assets and related activities are classified for financial reporting purposes as Unrestricted, Temporarily Restricted, or Permanently Restricted based on the existence or absence of donor-imposed restrictions.

Temporarily Restricted net assets represent net assets subject to donor-imposed restrictions which will be either met by the Organization's actions or the passage of time. Temporarily Restricted net assets are reclassified to Unrestricted net assets when the restrictions are met or have expired. These reclassifications are reported in the Statement of Activities as Net Assets Released from Restrictions.

Permanently Restricted net assets represent funds subject to the restrictions of gift instruments requiring the principal to be maintained intact. Investment income may be used for operating purposes and therefore is recorded as Unrestricted revenue. The Organization is holding no permanently restricted net assets as of June 30, 2013.

C. Property, Equipment, and Depreciation

Furniture and Office Equipment, Transportation Equipment, Warehouse Equipment, and Building and Improvements are stated at cost, or if donated, at the estimated fair market value as of the date of donation. Individual purchases of items costing less than \$ 500 are expensed in the current period. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets.

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 1. - Summary of Significant Accounting Policies, Continued

D. Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions affecting the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Cash Balances

The Organization maintains its cash balances in bank and money market accounts which, at times, may exceed Federal Deposit Insurance Corporation limits. The Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to any significant credit risk with respect to cash balances. It is Organization policy to maintain a minimum of six months of projected cash operating expenses in reserve.

F. Goods for Distribution

The Organization carries a stock of food items and basic necessities in order to carry out its mission to the public. Management estimates the average inventory throughout the fiscal year ended June 30, 2013 was approximately 130,000 pounds. Organization policy is not to record inventory in these financial statements based on the following factors:

- § Generally accepted accounting principles define inventory as tangible personal property that is held for sale in the ordinary course of business, in the process of production for sale, or consumed in the production of goods or services to be available for sale.
- § The Organization does not sell any goods or services. It does not have a license to make retail sales in Illinois. It has no infrastructure in place (register system, pricing, etc.) to make retail sales.
- § The majority of the stocked items are donated from the general public; it is impractical to keep detailed cost records of individual items.

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 1. - Summary of Significant Accounting Policies, Continued

G. In-Kind Contributions

The Organization regularly receives contributions of food and grocery items from the public. The Organization has a check-in system to track such items, weigh them, and assign values to these contributions using an estimated value of \$2.81 per pound. See Note 5 for further explanation of the calculations of in-kind contributions.

H. Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by class of net assets. This information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles because it does not present changes in net assets by net asset class and, accordingly, should be read in connection with the organization's financial statements for fiscal year 2012 from which the summarized information was derived.

I. Functional Expenses

The Organization classifies expenses between Program and Supporting (Management and Fundraising) Services. The Program Services function includes all expenses directly related to the Organization's mission statement described in Note 1 A. Expenses directly related to Program Services are charged to that area and, if more than one area, they are allocated on the basis of estimates by management.

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 2. - Cash

The cash balances are made up as follows:

	<u>June 30,2013</u>	<u>June 30,2012</u>
Petty Cash	\$ 200	\$ 200
Checking Account	185,604	43,709
Savings Account	785,993	722,857
	<u>\$ 971,797</u>	<u>\$ 766,766</u>

The Organization's board of directors has recommended that an annual portion (\$ 50,000) of the operating funds be designated as a Building Reserve Fund. These funds are designated for future use for major repair, maintenance, and replacement of components of its building. The balances of these designated funds were \$ 50,000 as of June 30, 2012 and \$ 100,000 as of June 30, 2013.

Note 3. - Property and Equipment

The method of depreciation used is described in Note 1 C. The useful lives utilized in the calculations of depreciation are as follows:

Furniture and Office Equipment	3 to 5 years
Transportation Equipment	3 to 5 years
Warehouse Equipment	5 to 7 years
Building	30 years

Note 4. - Lease Commitment

The Organization has rented copier equipment under an operating lease. The lease calls for sixty base minimum monthly payments of \$ 248.22 and additional charges based on volume usage to cover the cost of supplies and maintenance. The minimum future rental commitment under this lease is as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2014	\$ 2,979
2015	2,979
2016	2,979
2017	1,489

The total amount of charges paid under this lease agreement in the year ended June 30, 2013 was \$ 6,476.

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 5. - In-kind Contributions

The Organization receives donated food and grocery items from the general public for distribution to client families. Management has estimated the retail value of such donations at a value of \$ 2.81 per donated pound. The total value of such donations of \$ 9,658,135 is recorded as both a revenue and expense item for the year ended June 30, 2013.

In addition, the Organization received donated services from its officers, directors, and community volunteers which totals in excess of 78,000 person-hours for the year ended June 30, 2013. Using the Corporation for National and Community Service survey that estimates a \$ 23.19 value per hour of volunteer time, management estimates the value of these efforts to be approximately \$ 1,830,364.

Note 6. - Facility Expansion

In January, 2011, the Organization completed construction and relocated to its new facility in Naperville, Illinois. This property is secured by a financing commitment from:

	<u>Current portion</u>	<u>Long-term portion</u>
BMO Harris Bank; fixed rate of 4.35 %; 20 year amortization; maturity on February 24, 2016; required monthly principal and interest payments are \$ 9,381.10	\$ 63,858	\$ 1,069,633

Scheduled maturities of the above debt are:

<u>Year ending June 30</u>	<u>Amount</u>
2014	\$ 63,858
2015	66,732
2016	1,002,901

Loaves & Fishes Community Pantry
Notes to Financial Statements
June 30, 2013

Note 7. - Tax-Exempt Status

As a nonprofit corporation, the Organization is exempt from Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code to the extent of income and expenses from activities related to its exempt purpose. The Organization also files an annual report with the Office of the Illinois Attorney General (Charitable Trust and Solicitation Division) and is exempt from state income taxation. Accordingly, no provisions for income taxes have been made in the accompanying financial statements.

Note 8. - Date of Management's Review

These financial statements considered subsequent events through September 4, 2013, the date the financial statements were available to be issued.