

**LOAVES & FISHES COMMUNITY SERVICES  
CONSOLIDATED**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

SLUPIK AND ASSOCIATES, LTD.  
CERTIFIED PUBLIC ACCOUNTANTS

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

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# SLUPIK AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

### **LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

Naperville, Illinois

We have audited the accompanying consolidated financial statements of Loaves & Fishes Community Services Consolidated (the "Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Loaves & Fishes Community Services Consolidated as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Slupik and Associates, Ltd.*

October 22, 2018

# LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2018	2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,209,581	\$ 1,156,032
Investments, at fair value	41,250	38,189
Prepaid expenses	33,182	30,563
Pledges and accounts receivable, current portion	281,968	245,904
Inventory	19,654	13,147
	1,585,635	1,483,835
<b>Property and Equipment, net</b>	<b>2,660,848</b>	<b>2,331,377</b>
<b>Other Assets</b>		
Pledges and accounts receivable, net of current portion	159,400	151,668
Security deposit	4,690	9,354
	164,090	161,022
<b>TOTAL ASSETS</b>	<b>\$ 4,410,573</b>	<b>\$ 3,976,234</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 60,957	\$ 55,020
Accrued expenses	78,636	57,098
Deferred contributions	129,750	77,825
	269,343	189,943
<b>TOTAL LIABILITIES</b>	<b>269,343</b>	<b>189,943</b>
<b>Net Assets</b>		
Unrestricted	3,603,612	3,305,531
Temporarily restricted	537,618	480,760
	4,141,230	3,786,291
<b>TOTAL NET ASSETS</b>	<b>4,141,230</b>	<b>3,786,291</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,410,573</b>	<b>\$ 3,976,234</b>

## LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

### CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Combined Total	Unrestricted	Temporarily Restricted	Combined Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
In-kind contributions	\$ 11,575,300	\$ -	\$ 11,575,300	\$ 10,418,100	\$ -	\$ 10,418,100
In-kind contributions - vehicles	148,563	-	148,563	202,726	-	202,726
In-kind contributions - services	45,000	-	45,000	-	-	-
Faith communities	156,164	9,000	165,164	202,811	13,500	216,311
Individual	613,285	101,100	714,385	518,452	147,680	666,132
Organization and corporations	730,621	177,886	908,507	598,996	24,170	623,166
Government grants	154,135	41,759	195,894	94,400	33,420	127,820
Other public support	-	-	-	242,852	34,574	277,426
Special events, net of direct costs	350,384	-	350,384	183,901	-	183,901
Vehicle income	32,994	-	32,994	53,434	3,500	56,934
Investment income	7,592	3,061	10,653	3,076	3,615	6,691
Other income	2,307	-	2,307	2,026	-	2,026
Net assets released from restrictions	275,948	(275,948)	-	365,658	(365,658)	-
<b>Total Public Support and Revenue</b>	<b>14,092,293</b>	<b>56,858</b>	<b>14,149,151</b>	<b>12,886,432</b>	<b>(105,199)</b>	<b>12,781,233</b>
<b>EXPENSES</b>						
Program	13,236,644	-	13,236,644	12,346,018	-	12,346,018
Management	169,372	-	169,372	179,187	-	179,187
Fundraising	388,196	-	388,196	315,773	-	315,773
<b>Total Expenses</b>	<b>13,794,212</b>	<b>-</b>	<b>13,794,212</b>	<b>12,840,978</b>	<b>-</b>	<b>12,840,978</b>
<b>CHANGE IN NET ASSETS</b>	<b>298,081</b>	<b>56,858</b>	<b>354,939</b>	<b>45,454</b>	<b>(105,199)</b>	<b>(59,745)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>3,305,531</b>	<b>480,760</b>	<b>3,786,291</b>	<b>3,260,077</b>	<b>585,959</b>	<b>3,846,036</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,603,612</b>	<b>\$ 537,618</b>	<b>\$ 4,141,230</b>	<b>\$ 3,305,531</b>	<b>\$ 480,760</b>	<b>\$ 3,786,291</b>

See independent auditor's report and notes to consolidated financial statements.

## LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
<b>EXPENSES</b>				
Food and basic necessities and programs	\$ 11,883,246	\$ -	\$ -	\$ 11,883,246
Salaries, payroll taxes, and employee benefits	900,249	136,590	342,855	1,379,694
Rent, utilities, warehouse, and maintenance	210,542	-	-	210,542
Advertising and promotional	28,992	-	18,793	47,785
Professional fees	5,408	8,030	2,950	16,388
Office	107,479	13,036	16,523	137,038
Other	2,151	118	1,277	3,546
	<u>13,138,067</u>	<u>157,774</u>	<u>382,398</u>	<u>13,678,239</u>
Loss on disposal of assets	6,202	730	364	7,296
Depreciation	92,375	10,868	5,434	108,677
Total Expenses	<u>\$ 13,236,644</u>	<u>\$ 169,372</u>	<u>\$ 388,196</u>	<u>\$ 13,794,212</u>

## LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

	Program	Management	Fundraising	Total
<b>EXPENSES</b>				
Food and basic necessities and programs	\$ 11,031,751	\$ -	\$ -	\$ 11,031,751
Salaries, payroll taxes, and employee benefits	850,031	137,204	253,891	1,241,126
Rent, utilities, warehouse, and maintenance	191,695	-	-	191,695
Advertising and promotional	39,071	-	25,041	64,112
Professional fees	22,869	16,114	11,069	50,052
Office	113,761	12,696	18,281	144,738
Other	1,714	1,981	1,896	5,591
	<u>12,250,892</u>	<u>167,995</u>	<u>310,178</u>	<u>12,729,065</u>
Interest	381	45	22	448
Depreciation	94,745	11,147	5,573	111,465
Total Expenses	<u>\$ 12,346,018</u>	<u>\$ 179,187</u>	<u>\$ 315,773</u>	<u>\$ 12,840,978</u>

# LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30,

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 354,939	\$ (59,745)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	108,677	111,465
Other public support (in-kind items)	(322,200)	(44,645)
Realized (gain) on investments	(2,804)	(1,347)
Unrealized (gain) on investments	(257)	(2,268)
Loss on disposal of assets	7,296	-
Changes in current assets and liabilities		
Prepaid expenses	(2,619)	(30,563)
Pledges and accounts receivable	(43,796)	165,387
Inventory	(6,507)	(13,147)
Accounts payable	5,937	(82,183)
Accrued expenses	21,538	(37,205)
Deferred contributions	51,925	77,825
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>172,129</b>	<b>83,574</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Security deposit	4,664	-
Purchases of property and equipment	(123,244)	(44,353)
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(118,580)</b>	<b>(44,353)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on bank debt	-	(22,204)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>(22,204)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>53,549</b>	<b>17,017</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>1,156,032</b>	<b>1,139,015</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,209,581</b>	<b>\$ 1,156,032</b>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest expense	\$ -	\$ 499



# LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2018

### NOTE 1 – ORGANIZATION’S PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Organization’s Purpose**

Loaves & Fishes Community Services (“Loaves & Fishes”) 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. The focus is to serve residents in the communities of Naperville, Illinois and DuPage County, Illinois for the purpose of ending hunger and transforming lives. Loaves & Fishes’ major revenue sources consist mostly of charitable contributions.

The Organization is the 100% owner of Loaves & Fishes Property Holdings, LLC which was organized in 2018 to develop and manage real estate for the benefit of Loaves & Fishes Community Services. The entity is considered a disregarded entity for federal income tax purposes. Its assets, liabilities, and income and expense items have been consolidated in these financial statements.

#### **Principles of Consolidation**

These consolidated financial statements include the accounts of Loaves & Fishes Community Services and Loaves & Fishes Property Holdings, LLC (together, the “Organization”). All intercompany balances and transactions have been eliminated.

#### **Basis of Accounting**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

#### **Basis of Presentation**

The accompanying consolidated financial statements are presented in accordance with Accounting Standards Codification (“ASC”) Topic 958, *Not-For-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets that are based on the existence or absence of donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 consolidated financial statements 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. For the years ended June 30, 2018 and 2017, the Organization held no permanently restricted net assets.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid instruments, including certificates of deposit, to be cash equivalents.

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 1 – ORGANIZATION’S PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Concentration of Credit Risk**

The Organization maintains its cash balances at financial institutions in Illinois. Non-interest and interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 for the years ending June 30, 2018 and 2017. Cash and cash equivalents, based on bank balances at June 30, 2018 and 2017, exceeded federally insured prescribed limits by \$535,186 and \$398,686, respectively.

**Pledges and Accounts Receivable**

The Organization considers pledges and accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If the amounts become uncollectible, they will be charged to operations when that determination is made. Bad debt expense for the years ended June 30, 2018 and 2017 was \$63,000 and \$32,900, respectively.

**Inventory**

Inventory is comprised of donated vehicles, which are recorded at fair value.

**Goods for Distribution**

The Organization carries a stock of food items and basic necessities in order to carry out its mission to the public. Organization policy is not to record inventory in these consolidated 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.

**Property and Equipment**

Property and equipment are recorded at cost, if purchased, or fair market value, if donated. Acquisitions of property and equipment or repairs, maintenance, or betterments that materially prolong the useful lives of assets in excess of \$5,000 are capitalized. Depreciation expense is calculated using the straight line method over the estimated useful lives of the assets as follows:

Furniture and office equipment	3-5 Years
Transportation equipment	3-5 Years
Warehouse equipment	5-7 Years
Building	25-39 Years

**Deferred Contributions**

Deferred contributions represent contributions received that relate to the subsequent period and income related to special events that will occur in the subsequent period.

**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 \$3.14 and \$3.17 per pound for the years ended June 30, 2018 and 2017, respectively.

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 1 – ORGANIZATION’S PURPOSE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Donated Services**

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization received donated services from its officers, directors, and community volunteers which totals in excess of 100,200 person-hours for the year ended June 30, 2018 and 95,800 person-hours for the year ended June 30, 2017. Using the Corporation for National and Community Service survey that estimates a \$26.02 and \$24.74 value per hour of volunteer time for the years ended June 30, 2018 and 2017, respectively, management estimates the value of these efforts to be approximately \$2,607,300 and \$2,370,100 for the years ended June 30, 2018 and 2017, respectively. As the recognition criteria for donated services were not met, these volunteer efforts were not recognized as contributions in the consolidated financial statements for the years ended June 30, 2018 and 2017.

For the years ended June 30, 2018 and 2017, the Organization received and recorded contributed services with a fair market value of \$45,000 and \$0, respectively, for legal services. Such legal services were provided in connection with the purchase of land during the year ended June 30, 2018, and, accordingly, have been included in the basis of the land.

**Advertising**

The Organization expenses advertising costs as incurred. Advertising expense was \$31,079 and \$47,641 for the years ended June 30, 2018 and 2017, respectively.

**Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services at management’s discretion. Management expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Income Tax Status**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code, pursuant to a letter from the Internal Revenue Service dated March 1992. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (vi). The Organization’s tax returns for the years ended June 30, 2015, 2016, 2017, and 2018 are subject to examination by the IRS and the Illinois Attorney General’s Office, generally for three years after they were filed. For the years ended June 30, 2018 and 2017, there were no income tax penalties and interest recognized in the Organization’s consolidated financial statements.

Management believes there are no uncertain income tax positions for the years ended June 30, 2018 and 2017.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The Organization reports its fair value measurements using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by ASC Topic 820, *Fair Value Measurements and Disclosures*, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

The primary use of fair value measurements in the Organization’s consolidated financial statements are the recurring measurement of investments.

**NOTE 3 – INVESTMENTS**

As discussed in Note 2 to the consolidated financial statements, the Organization is required to report its fair value measurements in one of three levels. The Organization uses the following ways to determine the fair value of its investments on a recurring basis:

*DuPage Community Foundation:* Valued at the net asset value (“NAV”) of the underlying investments in the investment pool held at the DuPage Community Foundation at year-end.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended June 30, 2018 and 2017.

Fair value measurements (all Level 2) for investments reported at fair value on a recurring basis at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
DuPage Community Foundation	\$ 41,250	\$ 38,189

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 3 – INVESTMENTS (continued)**

Investment income as a result of DuPage Community Foundation funds is comprised of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 842	\$ 626
Realized gains from sales of investments	2,481	1,075
Unrealized gains (losses) from holding investments	257	2,268
Investment fees	<u>(519)</u>	<u>(354)</u>
	<u>\$ 3,061</u>	<u>\$ 3,615</u>

**NOTE 4 – PLEDGES RECEIVABLE**

The Organization's pledges receivable at June 30, 2018 are unconditional and are due as follows:

Receivable in less than one year	\$ 107,323
Receivable in one to five years	129,400
Receivable in more than five years	<u>-</u>
Total pledges receivable	<u>\$ 236,723</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2018 and 2017 consisted of:

	<u>2018</u>	<u>2017</u>
Land	\$ 896,693	\$ 550,656
Furniture and office equipment	171,411	212,902
Transportation equipment	207,151	114,947
Warehouse equipment	163,541	170,537
Building	<u>2,077,657</u>	<u>2,077,657</u>
	3,516,453	3,126,699
Accumulated depreciation	<u>(855,605)</u>	<u>(795,322)</u>
Net property and equipment	<u>\$ 2,660,848</u>	<u>\$ 2,331,377</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$108,677 and \$111,465, respectively.

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 6 – 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 \$3.14 and \$3.17 per pound for the years ended June 30, 2018 and 2017, respectively. The total value of such donations for the years ended June 30, 2018 and 2017 of \$11,291,120 and \$10,402,777, respectively, is recorded as both a revenue and expense item.

The Organization also recorded an in-kind donation on land purchased during the year ended June 30, 2018 for the appraised fair market value of the land in excess of consideration paid. The total value of such donations for the year ended June 30, 2018 was \$270,000.

**NOTE 7 – LEASES**

The Organization has two leases for office equipment that will expire in four and five years. The Organization also has a lease for warehouse space through 2020, with various renewal options through 2026. Lease expense was \$62,603 and \$65,412 for the years ended June 30, 2018 and 2017, respectively. The following is a schedule of future minimum rentals:

Year ending June 30,

2019	\$	47,985
2020	\$	48,705
2021	\$	16,331
2022	\$	552
2023	\$	92

**NOTE 8 – FUNDRAISING EXPENSES**

Total fundraising expense for the years ended June 30, 2018 and 2017 was \$388,196 and \$315,773, respectively.

**NOTE 9 – BOARD-DESIGNATED UNRESTRICTED NET ASSETS**

The Organization's Board of Directors has recommended that an annual portion of the operating funds are to be designated as a Building Reserve Fund, up to a fund balance of \$250,000. These funds are designated for future use for major repair, maintenance, and replacement of components of its building. The balance of these designated funds was \$250,000 as of June 30, 2018 and 2017.

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS**

Changes in temporarily restricted net assets consist of the following for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Releases</u>	<u>Ending Balance</u>
Endowment Fund				
DuPage Community Foundation	\$ 38,189	\$ 3,061	\$ -	\$ 41,250
Faith community contributions				
Pledges	13,500	9,000	(13,500)	9,000
Individual contributions				
Donations	7,100	-	(7,100)	-
Pledges	253,381	101,100	(126,758)	227,723
	<u>260,481</u>	<u>101,100</u>	<u>(133,858)</u>	<u>227,723</u>
Organization and Corporation contributions				
Donations	-	32,186	-	32,186
Grants	70,000	145,700	(30,000)	185,700
Pledges	37,500	-	(37,500)	-
Technology improvements	-	-	-	-
Vehicle purchase	20,000	-	(20,000)	-
	<u>127,500</u>	<u>177,886</u>	<u>(87,500)</u>	<u>217,886</u>
Government grants	33,420	41,759	(33,420)	41,759
Other public support				
Donations	4,170	-	(4,170)	-
Vehicle income	3,500	-	(3,500)	-
	<u>\$ 480,760</u>	<u>\$ 332,806</u>	<u>\$ (275,948)</u>	<u>\$ 537,618</u>

**NOTE 11 – RETIREMENT BENEFIT PLAN**

The Organization provides a salary reduction 401(k) plan to eligible employees. The Organization may contribute a matching contribution of a pre-determined percentage if the financial position of the Organization allows. For the years ended June 30, 2018 and 2017, the Organization recognized retirement plan expense of \$12,334 and \$40,515, respectively.

**LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

JUNE 30, 2018

**NOTE 12 – ACQUISITION OF NAPERVILLE C.A.R.E.S.**

Effective July 1, 2016, Loaves & Fishes completed an acquisition of the assets of Naperville C.A.R.E.S. (C.A.R.E.S.), an Illinois nonprofit organization that serves the community by helping local families in financial crisis meet their essential needs by providing emergency financial support and resources. The primary reasons for the acquisition include programs, physical logistics, technology, volunteers, donors, boards, staff, and communication. Loaves & Fishes assumed the rights, title, and interest of all assets of C.A.R.E.S., except those specifically excluded.

Fair values of C.A.R.E.S.' major classes of assets acquired by Loaves & Fishes as of the date of acquisition are as follows:

Cash and cash equivalents	\$	203,448
Investments, at fair value		34,574
Inventory		29,333
Property and equipment, net		9,421
Intangibles, net		<u>650</u>
Total assets acquired	\$	<u><u>277,426</u></u>

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 22, 2018, the date the consolidated financial statements were available to be issued.