

**LOAVES & FISHES COMMUNITY SERVICES
CONSOLIDATED**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**SLUPIK AND ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANTS**

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2020 AND 2019	4
CONSOLIDATED STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019	5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED JUNE 30, 2020 AND 2019	6
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8-16

SLUPIK AND ASSOCIATES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

1700 PARK STREET, SUITE 201, NAPERVILLE, IL 60563
PHONE (630) 357-0096 FAX (630) 357-0592

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, 2020 and 2019, 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, 2020 and 2019, 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 6, 2020

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION June 30,

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,365,479	\$ 1,355,342
Investments, at fair value	43,324	40,999
Prepaid expenses	25,342	25,104
Pledges and accounts receivable, current portion	153,280	213,697
Inventory	24,957	16,640
Total current assets	2,612,382	1,651,782
Property and Equipment, net	2,538,793	2,568,306
Other Assets		
Pledges and accounts receivable, net of current portion	113,333	209,450
Security deposit	4,690	4,690
Total other assets	118,023	214,140
TOTAL ASSETS	\$ 5,269,198	\$ 4,434,228
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 67,950	\$ 46,423
Accrued expenses	138,879	122,407
Deferred contributions	58,656	37,177
Current portion of long-term debt	112,542	-
Total current liabilities	378,027	206,007
Long-term debt, net of current portion	140,458	-
TOTAL LIABILITIES	518,485	206,007
Net Assets		
Without donor restrictions	4,448,011	3,767,549
With donor restrictions	302,702	460,672
TOTAL NET ASSETS	4,750,713	4,228,221
TOTAL LIABILITIES AND NET ASSETS	\$ 5,269,198	\$ 4,434,228

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

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Combined Total	Without Donor Restrictions	With Donor Restrictions	Combined Total
PUBLIC SUPPORT AND REVENUE						
In-kind contributions	\$ 9,874,585	\$ -	\$ 9,874,585	\$ 12,311,535	\$ -	\$ 12,311,535
In-kind contributions - vehicles	102,299	-	102,299	155,206	-	155,206
Faith communities	149,139	6,500	155,639	149,059	7,500	156,559
Individual	1,296,376	3,000	1,299,376	670,074	193,500	863,574
Organization and corporations	770,484	15,000	785,484	724,678	20,000	744,678
Government grants	122,863	21,124	143,987	206,641	39,228	245,869
Employer giving program	230,518	-	230,518	-	-	-
Special events, net of direct costs	317,171	-	317,171	343,635	-	343,635
Vehicle income	29,837	-	29,837	40,060	-	40,060
Investment income	20,231	2,325	22,556	15,746	(251)	15,495
Other income	2,537	-	2,537	2,406	-	2,406
Net assets released from restrictions	205,919	(205,919)	-	336,923	(336,923)	-
Total Public Support and Revenue	13,121,959	(157,970)	12,963,989	14,955,963	(76,946)	14,879,017
EXPENSES						
Program services	11,822,129	-	11,822,129	14,210,615	-	14,210,615
Supporting services:						
Management expenses	188,782	-	188,782	188,310	-	188,310
Fundraising expenses	430,586	-	430,586	393,101	-	393,101
Total Expenses	12,441,497	-	12,441,497	14,792,026	-	14,792,026
CHANGE IN NET ASSETS	680,462	(157,970)	522,492	163,937	(76,946)	86,991
NET ASSETS, BEGINNING OF YEAR	3,767,549	460,672	4,228,221	3,603,612	537,618	4,141,230
NET ASSETS, END OF YEAR	\$ 4,448,011	\$ 302,702	\$ 4,750,713	\$ 3,767,549	\$ 460,672	\$ 4,228,221

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

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the years ended June 30,

	2020				2019			
	Program	Management	Fundraising	Total	Program	Management	Fundraising	Total
EXPENSES								
Food and basic necessities and programs	\$ 10,364,363	\$ -	\$ -	\$ 10,364,363	\$ 12,822,697	\$ -	\$ -	\$ 12,822,697
Salaries, payroll taxes, and employee benefits	980,921	157,371	386,806	1,525,098	928,559	151,998	349,451	1,430,008
Rent, utilities, warehouse, and maintenance	275,402	-	-	275,402	263,493	-	-	263,493
Advertising and promotional	44,512	-	29,674	74,186	45,327	-	30,218	75,545
Professional fees	-	10,360	-	10,360	-	15,199	-	15,199
Office	74,782	11,387	9,274	95,443	62,103	10,709	8,230	81,042
	<u>11,739,980</u>	<u>179,118</u>	<u>425,754</u>	<u>12,344,852</u>	<u>14,122,179</u>	<u>177,906</u>	<u>387,899</u>	<u>14,687,984</u>
Gain on disposal of assets	(2,465)	(290)	(145)	(2,900)	-	-	-	-
Depreciation	84,614	9,954	4,977	99,545	88,436	10,404	5,202	104,042
Total Expenses	<u>\$ 11,822,129</u>	<u>\$ 188,782</u>	<u>\$ 430,586</u>	<u>\$ 12,441,497</u>	<u>\$ 14,210,615</u>	<u>\$ 188,310</u>	<u>\$ 393,101</u>	<u>\$ 14,792,026</u>

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

CONSOLIDATED STATEMENTS OF CASH FLOWS For the years ended June 30,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 522,492	\$ 86,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	99,545	104,042
Realized (gain) on investments	(1,502)	(1,677)
Unrealized (gain) loss on investments	(823)	1,928
Changes in current assets and liabilities		
Prepaid expenses	(238)	8,078
Pledges and accounts receivable	156,534	18,221
Inventory	(8,317)	3,014
Accounts payable	21,527	(14,534)
Accrued expenses	16,472	43,771
Deferred contributions	21,479	(92,573)
NET CASH PROVIDED BY OPERATING ACTIVITIES	827,169	157,261
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(70,032)	(11,500)
NET CASH (USED) BY INVESTING ACTIVITIES	(70,032)	(11,500)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank debt	253,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	253,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,010,137	145,761
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,355,342	1,209,581
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,365,479	\$ 1,355,342
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest expense	\$ -	\$ -

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

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 healthy food and impactful programs to promote self-sufficiency. 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 the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net asset classes may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization’s program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

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

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.

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, 2020 and 2019. Cash and cash equivalents, based on bank balances at June 30, 2020 and 2019, exceeded federally insured prescribed limits by \$694,220 and \$472,192, 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, 2020 and 2019 was \$0 and \$0, 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

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) JUNE 30, 2020

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

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.

Revenue Recognition

Revenue is recognized by the Company in accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue Recognition*. Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions

Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 \$2.99 and \$3.13 per pound for the years ended June 30, 2020 and 2019, respectively.

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 76,700 person-hours for the year ended June 30, 2020 and 100,300 person-hours for the year ended June 30, 2019. Using the Corporation for National and Community Service survey that estimates a \$27.98 and \$26.89 value per hour of volunteer time for the years ended June 30, 2020 and 2019, respectively, management estimates the value of these efforts to be approximately \$2,146,066 and \$2,697,100 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$42,756 and \$49,995 for the years ended June 30, 2020 and 2019, respectively.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

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

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.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Advertising	Time and effort
Depreciation	Square footage
Employee benefits	Time and effort
Fundraising expenses	Time and effort
Office expense	Time and effort
Payroll taxes	Time and effort
Salaries	Time and effort

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, 2017, 2018, 2019, and 2020 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, 2020 and 2019, 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, 2020 and 2019.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on changes in net assets for the prior year.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 2,365,479	\$ 1,355,342
Investments, at fair value	43,324	40,999
Pledges and accounts receivable	266,613	423,147
Total financial assets	2,675,416	1,819,488
Less amounts not available to be used within one year:		
Investments, restricted	43,324	40,999
Pledges and accounts receivable, long-term	113,333	209,450
	156,657	250,449
Financial assets available to meet general expenditures over the next twelve months	\$ 2,518,759	\$ 1,569,039

The Organization maintains cash reserves for both operating expenses and capital expenditures, which are reviewed annually for adequacy. Cash reserves for operating expenses are generally determined based on a sensitivity analysis of different economic scenarios over a one-year period. Cash reserves for capital expenditures are generally determined based on an analysis of projected fixed asset purchases and replacements.

NOTE 3 – 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.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

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 4 – INVESTMENTS

As discussed in Note 3 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 Foundation: Valued at the net asset value (“NAV”) of the underlying investments in the investment pool held at the DuPage 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, 2020 and 2019.

Fair value measurements (all Level 2) for investments reported at fair value on a recurring basis at June 30, 2020 and 2019 are as follows:

	2020	2019
DuPage Foundation	\$ 43,324	\$ 40,999

Investment income as a result of DuPage Foundation funds is comprised of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 932	\$ 860
Realized gains from sales of investments	1,096	1,202
Unrealized gains (losses) from holding investments	823	(1,928)
Investment fees	(526)	(385)
	\$ 2,325	\$ (251)

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

NOTE 5 – PLEDGES RECEIVABLE

The Organization’s pledges receivable at June 30, 2020 are unconditional and are due as follows:

Receivable in less than one year	\$ 121,921
Receivable in one to five years	113,333
Receivable in more than five years	<u>-</u>
Total pledges receivable	<u><u>\$ 235,254</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Land	\$ 898,193	\$ 898,193
Furniture and office equipment	152,236	155,879
Transportation equipment	235,108	207,151
Warehouse equipment	171,672	163,541
Building	<u>2,089,412</u>	<u>2,077,657</u>
	3,546,621	3,502,421
Accumulated depreciation	<u>(1,007,828)</u>	<u>(934,115)</u>
Net property and equipment	<u><u>\$ 2,538,793</u></u>	<u><u>\$ 2,568,306</u></u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$99,545 and \$104,042, respectively.

NOTE 7 – LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
SBA Paycheck Protection Program Note, BMO Harris Bank National Association; due in monthly installments of \$14,238 beginning November 15, 2020 until April 15, 2022; interest at 1.00%	<u>253,000</u>	<u>-</u>
Subtotal	253,000	-
Less current maturities	<u>(112,542)</u>	<u>-</u>
Net long-term debt	<u><u>\$ 140,458</u></u>	<u><u>\$ -</u></u>

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

NOTE 7 – LONG-TERM DEBT (continued)

Long-term debt maturities are as follows:

Year ended:	June 30, 2021	112,542
	June 30, 2022	140,458
	June 30, 2023	-
	June 30, 2024	-
	June 30, 2025	-
		<u>\$ 253,000</u>

On April 15, 2020, the Organization obtained a Paycheck Protection Program loan of \$253,000 from the U.S. Small Business Administration. The proceeds will be used for salaries and wages, and as a result, it is anticipated that the loan will be fully forgiven prior to June 30, 2021. Upon forgiveness, the proceeds will be recognized as income.

NOTE 8 – 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 \$2.99 and \$3.13 per pound for the years ended June 30, 2020 and 2019, respectively. The total value of such donations for the years ended June 30, 2020 and 2019 of \$9,854,158 and \$12,288,158, respectively, is recorded as both a revenue and expense item.

NOTE 9 – LEASES

The Organization has two leases for office equipment that will expire in one and two years. The Organization also has a lease for warehouse space through 2020, with various renewal options through 2026. Lease expense was \$52,332 and \$47,986 for the years ended June 30, 2020 and 2019, respectively. The following is a schedule of future minimum rentals:

<u>Year ending June 30,</u>		
2021	\$	16,332
2022	\$	552
2023	\$	92
2024	\$	-
2025	\$	-

NOTE 10 – FUNDRAISING EXPENSES

Total fundraising expenses incurred for the years ended June 30, 2020 and 2019 were \$430,586 and \$393,101, respectively.

LOAVES & FISHES COMMUNITY SERVICES CONSOLIDATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
JUNE 30, 2020

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Changes in net assets with donor restrictions consist of the following for the year ended June 30, 2020:

	Beginning Balance	Additions	Releases	Ending Balance
Endowment Fund				
DuPage Foundation	\$ 40,999	\$ 2,325	\$ -	\$ 43,324
Faith community contributions				
Pledges	7,500	6,500	(7,500)	6,500
Individual contributions				
Pledges	322,945	15,000	(124,191)	213,754
Organization and Corporation contributions				
Donations	1,000	-	(1,000)	-
Grants	30,000	-	(30,000)	-
Pledges	20,000	-	(5,000)	15,000
	51,000	-	(36,000)	15,000
Government grants	38,228	24,124	(38,228)	24,124
	<u>\$ 460,672</u>	<u>\$ 47,949</u>	<u>\$ (205,919)</u>	<u>\$ 302,702</u>

NOTE 12 – 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, 2020 and 2019, the Organization recognized retirement plan expense of \$36,284 and \$23,115, respectively.

NOTE 13 – CONTINGENCIES

In early 2020, the COVID-19 outbreak in the United States has caused worldwide organizational disruption. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and impact. Therefore, a negative financial impact could result. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 6, 2020, the date the consolidated financial statements were available to be issued. Loaves & Fishes Community Services Consolidated is not aware of any material subsequent events.