



**LOAVES & FISHES COMMUNITY SERVICES**

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended June 30, 2022 and 2021



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**LOAVES & FISHES COMMUNITY SERVICES**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Loaves & Fishes Community Services  
Naperville, Illinois

### Opinion

We have audited the accompanying consolidated financial statements of Loaves & Fishes Community Services (the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sikich LLP*

Naperville, Illinois  
January 20, 2023

## **CONSOLIDATED FINANCIAL STATEMENTS**

**LOAVES & FISHES COMMUNITY SERVICES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 758,539	\$ 2,182,539
Investments	3,193,115	888,795
Prepaid expenses	38,467	55,930
Contributions receivable, current portion	161,448	159,065
Other receivables	72,854	-
Goods on hand to be distributed	747,708	281,160
Inventory	-	23,373
	4,972,131	3,590,862
Total current assets		
<b>PROPERTY AND EQUIPMENT, NET</b>	5,761,480	4,853,696
<b>OTHER ASSETS</b>		
Contributions receivable, net of current portion	65,411	84,378
Security deposit	-	4,690
Beneficial interest in assets held by DuPage Foundation	406,480	53,331
	471,891	142,399
Total other assets		
<b>TOTAL ASSETS</b>	\$ 11,205,502	\$ 8,586,957
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 42,179	\$ 61,475
Accrued expenses	102,830	99,313
Deferred revenue	92,713	166,011
Loan payable, current portion	-	43,600
	237,722	370,399
Total current liabilities		
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	-	223,738
Total liabilities	237,722	594,137
<b>NET ASSETS</b>		
Without donor restrictions	10,743,061	6,800,286
With donor restrictions	224,719	1,192,534
	10,967,780	7,992,820
Total net assets		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 11,205,502	\$ 8,586,957

See accompanying notes to consolidated financial statements.

**LOAVES & FISHES COMMUNITY SERVICES****CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT</b>			
In-kind contributions	\$ 13,054,213	\$ -	\$ 13,054,213
Faith communities	142,550	6,500	149,050
Individuals	3,478,831	82,400	3,561,231
Organizations and corporations	1,250,389	17,498	1,267,887
Government grants	282,677	26,250	308,927
Employer giving program	170,103	-	170,103
Special events, net of costs of direct benefits to donors of \$76,832	339,914	-	339,914
Vehicle income	28,470	-	28,470
Investment return, net	(52,536)	-	(52,536)
Change in beneficial interest	(48,063)	-	(48,063)
Other income	4,309	-	4,309
Net assets released from restrictions	1,100,463	(1,100,463)	-
Total public support, revenue, and gains (losses)	19,751,320	(967,815)	18,783,505
<b>EXPENSES</b>			
Program services	15,055,520	-	15,055,520
Supporting services			
Management	251,008	-	251,008
Fundraising	502,017	-	502,017
Total supporting services	753,025	-	753,025
Total expenses	15,808,545	-	15,808,545
CHANGE IN NET ASSETS	3,942,775	(967,815)	2,974,960
NET ASSETS, BEGINNING OF YEAR	6,800,286	1,192,534	7,992,820
NET ASSETS, END OF YEAR	\$ 10,743,061	\$ 224,719	\$ 10,967,780

See accompanying notes to consolidated financial statements.

# LOAVES & FISHES COMMUNITY SERVICES

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE AND OTHER SUPPORT</b>			
In-kind contributions	\$ 10,851,940	\$ -	\$ 10,851,940
Faith communities	167,178	6,500	173,678
Individuals	2,482,932	966,760	3,449,692
Organizations and corporations	1,002,325	17,499	1,019,824
Government grants	971,885	37,867	1,009,752
Employer giving program	213,324	-	213,324
Special events, net of costs of direct benefits to donors of \$34,066	199,555	-	199,555
Vehicle income	48,059	-	48,059
Investment return, net	13,445	-	13,445
Loss on disposal of assets	(18,249)	-	(18,249)
Change in beneficial interest	-	10,007	10,007
Other income	3,343	-	3,343
Net assets released from restrictions	148,801	(148,801)	-
Total public support and revenue	16,084,538	889,832	16,974,370
<b>EXPENSES</b>			
Program services	13,027,597	-	13,027,597
Supporting services			
Management	291,068	-	291,068
Fundraising	413,598	-	413,598
Total support services	704,666	-	704,666
Total expenses	13,732,263	-	13,732,263
CHANGE IN NET ASSETS	2,352,275	889,832	3,242,107
NET ASSETS, BEGINNING OF YEAR	4,448,011	302,702	4,750,713
NET ASSETS, END OF YEAR	\$ 6,800,286	\$ 1,192,534	\$ 7,992,820

See accompanying notes to consolidated financial statements.



**LOAVES & FISHER COMMUNITY SERVICES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2022

	<u>Supporting Services</u>				<b>Total Expenses</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefit to Donors</b>	
<b>EXPENSES</b>					
Food and basic necessities and specific assistance to individuals	\$ 13,163,116	\$ -	\$ -	\$ 40,983	\$ 13,204,099
Salaries, payroll taxes, and employee benefits	1,209,425	180,650	425,433	1,504	1,817,012
Rent, utilities, warehouse, and maintenance	423,380	-	-	-	423,380
Interest	1,911	101	-	-	2,012
Advertising and promotional	6,838	18,130	55,482	1,162	81,612
Professional fees	-	647	-	24,173	24,820
Office	81,811	31,593	11,159	9,010	133,573
Depreciation	169,039	19,887	9,943	-	198,869
<b>Total functional expenses</b>	<b>15,055,520</b>	<b>251,008</b>	<b>502,017</b>	<b>76,832</b>	<b>15,885,377</b>
Less expenses included with revenues on the statement of activities	-	-	-	(76,832)	(76,832)
<b>TOTAL EXPENSES</b>	<b>\$ 15,055,520</b>	<b>\$ 251,008</b>	<b>\$ 502,017</b>	<b>\$ -</b>	<b>\$ 15,808,545</b>

See accompanying notes to consolidated financial statements.

**LOAVES & FISHES COMMUNITY SERVICES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2021

	<u>Supporting Services</u>				<b>Total Expenses</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefit to Donors</b>	
<b>EXPENSES</b>					
Food and basic necessities and specific assistance to individuals	\$ 11,409,073	\$ -	\$ -	\$ -	\$ 11,409,073
Salaries, payroll taxes, and employee benefits	1,027,960	160,565	398,079	-	1,586,604
Rent, utilities, warehouse, and maintenance	388,067	-	-	-	388,067
Interest	17,277	1,948	-	-	19,225
Advertising and promotional	-	60,711	-	40	60,751
Professional fees	-	16,062	-	19,563	35,625
Office	98,171	41,541	10,398	14,463	164,573
Depreciation	87,049	10,241	5,121	-	102,411
Total functional expenses	13,027,597	291,068	413,598	34,066	13,766,329
Less expenses included with revenues on the statement of activities	-	-	-	(34,066)	(34,066)
<b>TOTAL EXPENSES</b>	<b>\$ 13,027,597</b>	<b>\$ 291,068</b>	<b>\$ 413,598</b>	<b>\$ -</b>	<b>\$ 13,732,263</b>

See accompanying notes to consolidated financial statements.

**LOAVES & FISHES COMMUNITY SERVICES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,974,960	\$ 3,242,107
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	198,869	102,411
Net realized and unrealized loss on investments	73,454	24,415
Loss on disposal of assets	-	18,249
Change in beneficial interest in assets held by DuPage Foundation	48,431	(10,007)
Contributed stock restricted for acquisition of long-lived assets	(20,283)	(65,780)
Contributions restricted for acquisition of long-lived assets	(952,400)	(941,360)
Forgivable loan	-	(253,000)
Changes in current assets and liabilities		
Prepaid expenses	17,463	(30,588)
Contributions receivable	26,484	68,771
Other receivables	(72,854)	-
Goods on hand to be distributed	(466,548)	(281,160)
Inventory	23,373	1,584
Security deposits	4,690	-
Accounts payable	(19,296)	(6,474)
Accrued expenses	3,517	(39,568)
Deferred contributions	(73,298)	107,355
Net cash from operating activities	1,766,562	1,936,955
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,857,749)	(173,329)
Proceeds from sale/maturity of investments	479,975	624,042
Transfer of funds (additions) to DuPage Foundation	(401,580)	-
Purchases of property and equipment	(1,106,653)	(2,435,563)
Net cash from investing activities	(3,886,007)	(1,984,850)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	-	1,800,000
Payments of loan payable	(267,338)	(1,532,662)
Proceeds from sale of contributed stock restricted for acquisition of long-lived assets	20,283	65,780
Proceeds from contributions restricted for acquisition of long-lived assets	942,500	895,760
Net cash from financing activities	695,445	1,228,878
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,424,000)	1,180,983
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,182,539	1,001,556
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 758,539	\$ 2,182,539
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
Interest paid	\$ 2,012	\$ 26,571

See accompanying notes to consolidated financial statements.

# LOAVES & FISHES COMMUNITY SERVICES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

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### 1. NATURE OF ACTIVITIES

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 DuPage, Will, Kane and Kendall Counties, all in Illinois, for the purpose of ending hunger and transforming lives. Loaves & Fishes' major revenue sources consist mostly of charitable contributions.

Loaves & Fishes is the 100% owner of Loaves & Fishes Property Holdings, LLC and Loaves & Fishes Property Holdings II, LLC, which were organized in 2018 and 2020, respectively, to own and operate real estate for the benefit of Loaves & Fishes. The entities are considered disregarded entities for federal income tax purposes. The entities' assets, liabilities, and income and expense items have been consolidated in these financial statements.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of Consolidation

These consolidated financial statements include the accounts of Loaves & Fishes Community Services, Loaves & Fishes Property Holdings, LLC, and Loaves & Fishes Property Holdings II, 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.

#### Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (USGAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 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. The Organization is not classified as a private foundation.

**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents

The Organization considers all highly liquid instruments, with original maturities of three months or less, to be cash equivalents. The Organization maintains its cash balances at financial institutions. Non-interest and interest-bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash and cash equivalents, based on bank balances at June 30, 2022 and 2021, exceeded federally insured prescribed limits by \$182,139 and \$1,442,814, respectively.

Investments and Investment Return

Investments are stated at fair value. Investment return is reported net in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Investment return is reflected in the consolidated statements of activities as income without donor restrictions, or income with donor restrictions, based upon the existence and nature of any donor restrictions. Investment income that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the investment income is recognized.

Contributions Receivable

Unconditional promises to give are recognized as receivables and contributions in the period the pledge is made. Promises to give in excess of one year are discounted to their net present value. The discount on those amounts is computed using risk-adjusted rates applicable to the years in which the pledges are received. The Organization considers contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

Other Receivables

Other receivables are recorded at their net realizable value. The Organization considers other receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is considered necessary.

Goods on Hand to be Distributed

The Organization carries a stock of food items and basic necessities in order to carry out its mission to the public. These items are valued at the lower of cost or market, if purchased, or at the estimated fair value at the date of donation, if donated.

**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory

Inventory is comprised of donated vehicles, which are held pending donation to clients or are in the process of being sold and is recorded at fair value.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or estimated fair value, if donated. Acquisitions of property and equipment 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:

	<u>Years</u>
Furniture and office equipment	3-5
Transportation equipment	3-5
Warehouse equipment	5-7
Building	25-39

Beneficial Interest in Assets Held by DuPage Foundation

The Organization maintains assets with DuPage Foundation under two agency agreements. Under these agreements, the assets are invested at the discretion of DuPage Foundation for the benefit of the Organization. DuPage Foundation shall receive, administer, and disburse the assets for the Organization's use at the Organization's request. The Organization has the ability to transfer additional assets to DuPage Foundation. The Organization has not granted DuPage Foundation variance power, which would give DuPage Foundation's Board of Trustees the power to use the assets for other purposes. Thus, the Organization retains a beneficial interest in those assets and maintains the transferred assets on the consolidated statements of financial position. All dividend, interest income, and realized and unrealized gains and losses on assets bought, sold, and held during the period are credited to the Organization's funds or disbursed as requested by the Organization. All distributions are classified as investment income on the consolidated statements of activities in the period earned.

Deferred Revenue

Deferred revenue represents income related to special events that will occur in the subsequent period.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets

The accompanying consolidated financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*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-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity. The Organization had no net assets with perpetual donor restrictions as of June 30, 2022 and 2021.

Contributions

Contributions from faith communities, individuals, organizations and corporations, government grants and employer giving program as shown on the consolidated statements of activities, 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. 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.

Contributions, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Unconditional promises to give are recorded at fair value on the date the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions that were initially conditional contributions and for which the donor-imposed conditions and restrictions are met in the same reporting period are reported as an increase in net assets without donor restrictions.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as net assets with donor restrictions, until such time as the assets are placed in service.

**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In-Kind Contributions

The Organization received the following in-kind contributions of nonfinancial assets for the year ending June 30:

	2022	2021
Food and grocery items	\$ 12,981,477	\$ 10,768,737
Vehicles	27,969	74,212
Other	44,767	8,991
<b>TOTAL</b>	<b>\$ 13,054,213</b>	<b>\$ 10,851,940</b>

The Organization regularly receives contributions of food and grocery items from other organizations, individuals and commercial outlets. These contributions of food and grocery are tracked by the Organization's inventory system based upon weight and assigned values using an average price per pound. The average price per pound is a weighted average of wholesale and retail values that would be received for selling similar products. Contributions of food and grocery items are distributed to participants of the Organization's program services.

The Organization records donated vehicles at the estimated fair value on the date of donation based upon published retail prices for similar vehicles or the actual sale price, if monetized. Donated vehicles are donated by the Organization to individuals or are monetized with proceeds utilized in the Organization's program services. Other in-kind contributions include gift cards and fixed assets and are recorded at the estimated fair value on the date of donation. Gift cards are recorded at their redemption value and are utilized in the Organization's program services. Donated fixed assets are valued based upon published retail prices for similar fixed assets, if new, or based upon thrift store value, if used, and are held and utilized in the Organization's program services.

There were no donor-imposed restrictions on contributed food and grocery items, vehicles or other in-kind contributions.

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. As the recognition criteria for donated services were not met, these volunteer efforts were not recognized as contributions in the consolidated statements of activities for the year ended June 30, 2022 and 2021.



**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government Grants

Government grants, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services or incurring eligible expenses is met. Revenue is therefore recognized as earned when all barriers are overcome. The Organization has been awarded conditional promises to give totaling \$6,044 and \$66,264 as of June 30, 2022 and 2021, respectively, that are not recognized as assets in the consolidated statements of financial position. Such amounts are conditional upon the expenditure of funds and/or the performance of services.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated 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:

<u>Expense</u>	<u>Method of Allocation</u>
Depreciation	Square footage
Salaries, payroll taxes, and employee benefits	Time and effort
Office expense	Time and effort

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02 as amended by ASU No. 2020-05 is effective for nonpublic entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standard at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second, optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Organization is currently assessing the impact of this new standard, including the two optional transition methods.

**LOAVES & FISHES COMMUNITY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New Accounting Pronouncements (Continued)

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. A not-for-profit will be required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose additional qualitative information and policies regarding monetization or utilization of contributed nonfinancial assets; information about any donor-imposed restrictions; valuation techniques and inputs; and the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. ASU No. 2020-07, is effective for fiscal years beginning after June 15, 2021 with early adoption permitted. There was no material effect on the financial statements upon implementation of this new standard.

**3. LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 758,539	\$ 2,182,539
Investments	3,193,115	888,795
Contributions receivable	226,859	243,443
Other receivables	72,854	-
Beneficial interest in assets held by DuPage Foundation	406,480	53,331
	4,657,847	3,368,108
Less amounts not available to be used for general expenditures within one year		
Donor restrictions on financial assets	(224,719)	(296,774)
	\$ 4,443,128	\$ 3,071,334
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT 12 MONTHS</b>	<b>\$ 4,443,128</b>	<b>\$ 3,071,334</b>

**LOAVES & FISHES COMMUNITY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**3. LIQUIDITY AND AVAILABILITY (Continued)**

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.

**4. CONTRIBUTIONS RECEIVABLE**

The Organization's contributions receivable at June 30, 2022 and 2021 are due as follows:

	2022	2021
Receivable in less than one year	\$ 161,448	\$ 159,065
Receivable in one to five years	65,411	84,378
	<b>\$ 226,859</b>	<b>\$ 243,443</b>
<b>TOTAL CONTRIBUTIONS RECEIVABLE</b>	<b>\$ 226,859</b>	<b>\$ 243,443</b>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30,

	2022	2021
Land	\$ 1,566,543	\$ 1,566,543
Furniture and office equipment	136,081	129,082
Transportation equipment	235,108	235,108
Warehouse equipment	471,683	194,172
Building	4,624,603	2,077,147
Building not placed in service	-	1,585,636
Construction in progress	-	146,877
	7,034,018	5,934,565
Subtotal	7,034,018	5,934,565
Accumulated depreciation	(1,272,538)	(1,080,869)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>\$ 5,761,480</b>	<b>\$ 4,853,696</b>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$198,869 and \$102,411, respectively.

## **6. FAIR VALUE MEASUREMENTS**

USGAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. USGAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAVs are not included in Level 1, 2, or 3, but are separately reported.

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the year ended June 30, 2022.

*Brokered certificates of deposit:* Valued at the closing quoted price by the Organization at year end.

*U.S. Treasuries:* Valued by a pricing service using models that incorporate market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data.

*Exchange traded funds:* Valued at the closing quoted price in an active market.

*Beneficial interest in assets held by DuPage Foundation:* Valued at NAV of the underlying investments in the investment pool held at DuPage Foundation at year end. The Organization has the ability to redeem its beneficial interest in assets held by DuPage Foundation upon two weeks written notice from its Board of Directors to DuPage Foundation.

**LOAVES & FISHES COMMUNITY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**6. FAIR VALUE MEASUREMENTS (Continued)**

Fair value measurements recorded on a recurring basis at June 30, 2022 were as follows:

	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ -	\$ 1,504,194	\$ -	\$ 1,504,194
U.S. Treasuries	-	986,531	-	986,531
Exchange traded funds	698,781	-	-	698,781
<b>TOTAL</b>	<b>\$ 698,781</b>	<b>\$ 2,490,725</b>	<b>\$ -</b>	<b>3,189,506</b>
Cash and cash equivalents, at cost				<u>3,609</u>
<b>TOTAL INVESTMENTS</b>				<b>\$ 3,193,115</b>
<b>BENEFICIAL INTEREST IN ASSETS HELD BY DUPAGE FOUNDATION</b>	<b>\$ -</b>	<b>\$ 406,480</b>	<b>\$ -</b>	<b>\$ 406,480</b>

Fair value measurements recorded on a recurring basis at June 30, 2021 were as follows:

	Level 1	Level 2	Level 3	Total
Brokered certificates of deposit	\$ -	\$ 737,784	\$ -	\$ 737,784
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 737,784</b>	<b>\$ -</b>	<b>737,784</b>
Cash and cash equivalents, at cost				<u>151,011</u>
<b>TOTAL INVESTMENTS</b>				<b>\$ 888,795</b>
<b>BENEFICIAL INTEREST IN ASSETS HELD BY DUPAGE FOUNDATION</b>	<b>\$ -</b>	<b>\$ 53,331</b>	<b>\$ -</b>	<b>\$ 53,331</b>

**LOAVES & FISHES COMMUNITY SERVICES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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**6. FAIR VALUE MEASUREMENTS (Continued)**

Changes in the fair value of the Organization's beneficial interest in assets held by DuPage Foundation are as follows:

	<u>2022</u>	<u>2021</u>
BALANCE, JULY 1,	\$ 53,331	\$ 43,324
Additions	401,580	-
Distributions	(2,100)	-
Change in interest in assets of DuPage Foundation	(46,331)	10,007
	<u>          </u>	<u>          </u>
BALANCE, JUNE 30, 2022	<u>\$ 406,480</u>	<u>\$ 53,331</u>

**7. LOAN PAYABLE**

Loan payable consisted of the following at June 30,

	<u>2022</u>	<u>2021</u>
Wheaton Bank & Trust Loan of \$1,050,000; due in monthly installments of \$3,633, beginning January 8, 2021 until December 8, 2030; floating interest rate. The loan was secured by property at 580 Exchange Court, Aurora, IL 60504. This loan was paid off as of June 30, 2022.	\$ -	\$ 268,200
Less current maturities	-	(43,600)
Less unamortized debt issuance cost	-	(862)
	<u>          </u>	<u>          </u>
NET LONG-TERM DEBT	<u>\$ -</u>	<u>\$ 223,738</u>

Interest expense was \$2,012 and \$19,225 for the years ended June 30, 2022 and 2021, respectively.

At June 30, 2020, the Organization had a forgivable loan in the amount of \$253,000 through the Small Business Administration Paycheck Protection Program. The amount was forgiven during the year ended June 30, 2021 and is recognized as government grants revenue in the consolidated statements of activities.

**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**8. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at June 30,

	<u>2022</u>	<u>2021</u>
Restricted for time	\$ 224,719	\$ 197,843
Purpose restrictions		
DuPage Foundation Agency Fund	-	53,331
Building	-	895,760
Receivables restricted to building	-	45,600
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 224,719</u></b>	<b><u>\$ 1,192,534</u></b>

**9. LEASES**

The Organization has leases for office equipment that will expire on varying dates through April, 2027. The Organization also had a lease for warehouse space through 2021, which was not renewed. Lease expense was \$26,807 and \$60,778 for the years ended June 30, 2022 and 2021, respectively.

The following is a schedule of future minimum rentals:

<u>Year Ended June 30,</u>	
2023	\$ 7,630
2024	7,538
2025	4,309
2026	2,001
2027	<u>1,501</u>
<b>TOTAL</b>	<b><u>\$ 22,979</u></b>

**10. RETIREMENT BENEFIT PLAN**

The Organization provides a 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, 2022 and 2021, the Organization recognized retirement plan expense of \$36,527 and \$28,545, respectively.

**LOAVES & FISHES COMMUNITY SERVICES**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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**11. ADVERTISING**

The Organization expenses advertising costs as incurred. Advertising expense was \$50,108 and \$45,622 for the years ended June 30, 2022 and 2021, respectively.

**12. RELATED PARTY TRANSACTIONS**

For the years ended June 30, 2022 and 2021, the Organization received related party contributions totaling \$188,723 and \$354,799, respectively, from Board members or entities related to Board members. Additionally, the Organization paid \$10,876 to an entity owned by a relative of a member of the Organization's management for services provided related to sound system technology and equipment.

**13. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 20, 2023, which was the date that these consolidated financial statements were available for issuance.