The Lakeview Pantry
(An Illinois Not-For-Profit Corporation)

Financial Statements
and Independent Auditor's Report

March 31, 2018

COHNREZNICK
ACCOUNTING • TAX • ADVISORY

The Lakeview Pantry
(An Illinois Not-For-Profit Corporation)

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Independent Auditor's Report

To the Board of Directors
The Lakeview Pantry
An Illinois Not-For-Profit Corporation

Report on Financial Statements

We have audited the accompanying financial statements of The Lakeview Pantry (An Illinois Not-For-Profit Corporation), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lakeview Pantry as of March 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Lakeview Pantry's March 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Chicago, Illinois
October 19, 2018

The Lakeview Pantry
(An Illinois Not-For-Profit Corporation)

Statement of Financial Position
Year Ended March 31, 2018
(With Comparative Totals for 2017)

Assets

	2018	2017
Current assets		
Cash	$ 1,356,305	$ 1,193,896
Restricted cash	88,000	-
Inventory	66,106	61,935
Prepaid expenses	15,841	15,600
Other receivables	7,685	-
Promises to give - current	43,200	94,400
Total current assets	1,577,137	1,365,831
Other assets		
Fixed assets, net of accumulated depreciation	2,936,867	3,034,054
Promises to give - long-term	4,762	34,059
Deposits and other assets	2,774	3,256
Total other assets	2,944,403	3,071,369
Total assets	$ 4,521,540	$ 4,437,200

Liabilities and Net Assets

	2018	2017
Current liabilities		
Accounts payable	$ 27,328	$ 29,985
Accrued expenses	61,120	25,135
Loan payable, current	106,631	20,670
Total current liabilities	195,079	75,790
Long-term liabilities		
Loan payable, net of current portion	113,421	402,268
Total long-term liabilities	113,421	402,268
Total liabilities	308,500	478,058
Net assets		
Unrestricted net assets		
Undesignated	4,145,040	3,959,142
Board designated	68,000	-
Total net assets	4,213,040	3,959,142
Total liabilities and net assets	$ 4,521,540	$ 4,437,200

See Notes to Financial Statements.

The Lakeview Pantry
(An Illinois Not-For-Profit Corporation)

Statement of Activities
Year Ended March 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Temporarily restricted	Total	Total
Revenue, support and contributions				
Contributions	$ 1,593,772	$ 2,623	$ 1,596,395	$ 1,532,202
In-kind donations - food donations	3,294,464	-	3,294,464	2,827,430
In-kind donations - services	17,898	-	17,898	36,587
Grants	189,622	111,990	301,612	224,097
Events	276,558	-	276,558	284,074
Less costs of direct benefits to event donors	(49,562)	-	(49,562)	(39,753)
Interest income	1,337	-	1,337	1,487
Miscellaneous income	19,086	-	19,086	-
Net assets released from restrictions	114,613	(114,613)	-	-
Total revenue and support	5,457,788	-	5,457,788	4,866,124
Functional expenses				
Program services				
Food program	4,482,902	-	4,482,902	3,923,529
Total program services	4,482,902	-	4,482,902	3,923,529
Support services				
Management and general	310,121	-	310,121	351,103
Fundraising	410,867	-	410,867	369,656
Total supporting services	720,988	-	720,988	720,759
Total expenses	5,203,890	-	5,203,890	4,644,288
Increase (decrease) in net assets	253,898	-	253,898	221,836
Net assets, beginning	3,959,142	-	3,959,142	3,737,306
Net assets, end	$ 4,213,040	$ -	$ 4,213,040	$ 3,959,142

See Notes to Financial Statements.

The Lakeview Pantry
(An Illinois Not-For-Profit Corporation)

Statement of Functional Expenses
Year Ended March 31, 2018
(With Comparative Totals for 2017)

	2018				
	Program services	Management and general	Fundraising	Total	2017 Total
Food program	$ 3,563,957	$ -	$ -	$ 3,563,957	$ 3,051,114
Salaries and benefits	593,296	211,070	260,032	1,064,398	921,651
Development	4,351	12,649	109,490	126,490	97,188
Administrative	55,840	19,865	24,474	100,179	157,867
Facilities expenses	96,064	5,337	5,337	106,738	99,504
Professional fees	50,733	50,732	-	101,465	173,972
Insurance	12,915	4,594	5,660	23,169	18,887
Depreciation	87,469	4,859	4,859	97,187	81,413
Interest expense	18,277	1,015	1,015	20,307	28,866
Miscellaneous	-	-	-	-	13,826
Total functional expenses	$ 4,482,902	$ 310,121	$ 410,867	$ 5,203,890	$ 4,644,288

See Notes to Financial Statements.

The Lakeview Pantry
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Statement of Cash Flows
Year Ended March 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Increase in net assets	$ 253,898	$ 221,836
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	97,187	81,413
Loss on disposal of assets	-	14,207
Changes in assets and liabilities		
(Increase) decrease in assets		
Inventory	(4,171)	35,451
Prepaid expenses	(241)	1,439
Promises to give	80,497	81,795
Other receivables	(7,685)	-
Deposits and other assets	482	5,688
Increase (decrease) in liabilities		
Accounts payable	(2,657)	(38,737)
Accrued expenses	35,985	6,292
Net cash provided by operating activities	453,295	409,384
Cash flows from investing activities		
Purchase of fixed assets	-	(1,599,240)
Net cash used in investing activities	-	(1,599,240)
Cash flows from financing activities		
(Payments on) proceeds from loan, net	(202,886)	422,938
Net cash (used in) provided by financing activities	(202,886)	422,938
Net increase (decrease) increase in cash	250,409	(766,918)
Cash and restricted cash, beginning	1,193,896	1,960,814
Cash and restricted cash, end	$ 1,444,305	$ 1,193,896
Supplemental cash flow information		
Cash paid for interest	$ 22,189	$ 25,068
Significant noncash activities		
Increase in fixed assets	$ -	$ 181,607
Increase in construction costs payable	-	(181,607)
Total	$ -	$ -

See Notes to Financial Statements.

Note 1 - Organization

The Lakeview Pantry (the "Pantry") was organized under the Illinois General Not-For-Profit Corporation Act and founded in 1970 to distribute food to low-income persons in the Lakeview community located on the north side of the City of Chicago, Illinois. The mission of the Pantry is to eliminate hunger in the communities the Pantry serves by providing food to fill the basic needs of hungry people, increasing the independence of the people the Pantry serves through self-help initiatives and innovative programs, and raising awareness of hunger and poverty and working towards solutions to eliminate them. The primary source of the Pantry's revenues is contributions and sponsorships from the general public, corporations and religious organizations. Inventory is primarily donated from large grocers and various organizations.

Note 2 - Summary of significant account policies

Basis of presentation

The Pantry is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Additionally, information is required to segregate program service expenses from support expenses. Support expenses include management and general and fundraising expenses.

Use of estimates

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

Promises to give

Unconditional promises to give are reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises that are expected to be collected in more than one year are reported at its present value.

Inventory

Inventory consists of food and is stated at donated value. Any purchased inventory is stated at the lower of cost or market value.

Capitalization and depreciation

Building, vehicles, furniture and equipment and leasehold improvements are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Assets are depreciated over their estimated service lives, except for leasehold improvements, which are depreciated over the lesser of their economic lives or the lease term. Any asset under construction is not depreciated until placed into service. The estimated service lives of the assets for depreciation purposes may be different than their actual economic useful lives.

Estimated useful lives by classification:

	Estimated life	Method
Land	-	-
Building	40 years	Straight-line
Leasehold improvements	2 - 9 years	Straight-line
Furniture and equipment	5 - 7 years	Straight-line
Vehicles	5 years	Straight-line

Fixed asset classifications as of March 31, 2018 and 2017 are as follows:

	2018	2017
Land	$ 337,221	$ 337,221
Building	2,551,105	2,551,105
Leasehold improvements	27,927	27,927
Furniture and equipment	250,218	250,218
Vehicles	55,705	55,705
Total	3,222,176	3,222,176
Accumulated depreciation	(285,309)	(188,122)
Net book value	$ 2,936,867	$ 3,034,054

Net assets
The Pantry classifies net assets as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets of the Pantry are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets of the Pantry result: (a) from contributions and other inflows of assets whose use by the Pantry is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Pantry pursuant to those stipulations; (b) from other asset enhancements and diminishments subject to the same kinds of stipulations; and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Pantry pursuant to those stipulations.

Permanently restricted net assets of the Pantry result: (a) from contributions and other inflows of assets whose use by the Pantry is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Pantry; (b) from other asset enhancements and diminishments subject to the same kinds of stipulations; and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations. The Pantry has not received any permanently restricted contributions.

Revenue recognition

Contributions and grants, as well as reasonably collectible unconditional promises to give, are recognized at fair value in the year received. In-kind donations are recorded as support at their estimated fair market value when received.

Functional allocation of expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Advertising costs

Advertising costs are charged to expense when incurred.

Operating leases

Operating lease payments are recorded at actual costs at the time the lease payments are due. Accounting principles generally accepted in the United States of America require that operating lease payments be amortized over the term of the lease using the straight-line method; however, the effect of recording lease payments at actual cost at the time the lease payments are due is not materially different from the results that would have been obtained under the straight-line method.

Income tax status

The Pantry is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law and has been granted status as a publicly supported organization under Section 501(a)(1). The Pantry did not earn any unrelated business income during the fiscal year ended March 31, 2018. The Pantry's Form 990, Return of Organization Exempt from Income Tax, for the years ending 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Note 3 - Restricted cash

Restricted cash consists of the following as of March 31, 2018 and 2017:

	2018	2017
Cash held in checking account designated by the Board for specific purpose (Note 7)	$ 68,000	$ -
Building/capital maintenance escrow	20,000	-
	$ 88,000	$ -

Note 4 - Capital campaign and promises to give

On January 27, 2015, the Pantry purchased a building in Lakeview for $1,000,000, which serves as its main operating food pantry and office space. The Pantry also made rehabilitation improvements to the building. The Pantry completed the improvements and occupied the new space in June 2016. The Pantry conducted a capital campaign to call for contributions to fund the purchase and rehabilitation of its new facility. As a result, the Pantry has received various promises to give payable over multiple years. The promises to give are recorded at net present value using a discount rate of 5%. The net present value of the total promises to give as of March 31, 2018 and 2017 was $47,962 and $128,459, respectively.

The amounts receivable in the ensuing years are as follows:

Less than one year	$	43,200
One to five years		5,000
Subtotal		48,200
Less present value discount		(238)
Total contributions receivable	$	47,962

Note 5 - Loan payable

The Pantry secured a loan from IFF in the amount of $1,500,000 to cover any rehabilitation costs of the new facility not covered by contributions. The Pantry entered into a loan agreement with IFF, dated January 27, 2015, for a principal sum of $1,500,000, of which $854,146 was drawn upon during the year ended March 31, 2017. No future draws on the loan are available. The loan bears interest at 5.375% per annum. Principal and interest are payable in monthly installments of $10,423, beginning on May 1, 2017 and continue through the first recalculation date, at which time the interest rate will be adjusted according to the note. The loan matures on January 27, 2030, at which time all unpaid principal and interest is due. The loan is secured by the building. As of March 31, 2018 and 2017, the balance on the loan is $220,052 and $422,938, respectively.

Aggregate maturities of long-term debt are as follows:

March 31, 2019	$	106,631
2020		113,421
2020		-
2021		-
2022		-
Thereafter		-
Total	$	220,052

Note 6 - Temporarily restricted net assets

During the years ended March 31, 2018 and 2017, the Pantry received contributions for the capital campaign in the amount of $2,623 and $317,317, respectively. These contributions are temporarily restricted for the purpose of the Pantry purchasing and making improvements to the new main headquarters.

As of March 31, 2018, and 2017, there were no temporarily restricted net assets.

Note 7 - Board designated net assets

Unrestricted net assets have been designated for a specific purpose, and certain assets have been set aside accordingly as follows at March 31, 2018 and 2017:

	2018	2017
Restricted cash	$ 68,000	$ -

Note 8 - Lease commitments

Prior to opening of the new facility, the Pantry had two locations: West Lakeview and East Lakeview. The Pantry entered into an operating lease agreement to continue operations at its current West Lakeview location through June 30, 2018. The West Lakeview location lease provides for monthly rent payments of $1,037 through June 30, 2016, $1,089 through June 30, 2017, $1,143 through June 30, 2018 and $1,200 through June 30, 2019.

The Pantry entered into an operating lease agreement for its former East Lakeview location, extending the term from February 15, 2012 through February 14, 2014, with two one-year options to extend. The East Lakeview lease provided for monthly base rent payments of $5,123 through February 14, 2015. An additional monthly rent expense, calculated by the lessor, was allocated to the Pantry for their portion of real estate taxes and insurance. The Pantry did not exercise its extension option to extend to February 14, 2016, and was operating on a month-to-month agreement for $5,541 per month until June 2016.

The Pantry entered into an operating lease agreement for additional office space for its former East Lakeview location. The monthly base rent was $850 through July 31, 2015, after which monthly rent increased to $1,075. The Pantry moved its East Lakeview operations to its new location in June 2016 and terminated the former East Lakeview location leases.

Future minimum lease payments for the ensuing fiscal years are as follows:

March 31, 2019	$ 14,234
2020	3,601
Total	$ 17,835

Note 9 - Line of credit

On April 4, 2012, the Pantry opened a line of credit in the amount of $100,000 with PNC Bank, NA. The line of credit bears interest at a variable rate equal to the prime rate plus 4.5%. The line of credit renews annually in May. The next renewal date is May 4, 2019. The Pantry has never drawn on the line of credit and only has it for emergency cash flow purposes.

Note 10 - In-kind donations

During the years ended March 31, 2018 and 2017, the Pantry received $3,294,464 and $2,827,430, respectively, in food donations. The food was recorded at fair value and recognized as a contribution when received.

Note 11 - Concentration of revenue

During the years ended March 31, 2018 and 2017, approximately 83% and 85%, respectively, of all food donations were received from five entities: Fresh Thyme, Greater Chicago Food Depository, Trader Joe's, Walmart and Whole Foods.

Note 12 - Concentration of credit risk

The Pantry maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Pantry has not experienced losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at March 31, 2018 and 2017.

Note 13 - Subsequent events

Events that occur after the financial position date but before the financial statements have been issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial position date require disclosure in the accompanying notes.

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