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

Financial Statements
and Independent Auditor's Report

March 31, 2019

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

Report on Financial Statements

We have audited the accompanying financial statements of The Lakeview Pantry (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, 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, 2019, 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.

Adoption of New Accounting Standard

As discussed in Note 2, The Lakeview Pantry adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended March 31, 2019. The requirements of the ASU have been applied retroactively to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The Lakeview Pantry's March 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Chicago, Illinois
August 23, 2019

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

Statement of Financial Position
Year Ended March 31, 2019
(With Comparative Totals for 2018)

Assets

	2019	2018
Current assets		
Cash	$ 1,618,430	$ 1,356,305
Restricted cash	170,347	88,000
Inventory	71,787	66,106
Prepaid expenses	32,642	15,841
Other receivables	-	7,685
Promises to give - current	17,333	43,200
Total current assets	1,910,539	1,577,137
Other assets		
Fixed assets, net of accumulated depreciation	3,107,901	2,936,867
Promises to give - long-term	-	4,762
Deposits and other assets	25,551	2,774
Total other assets	3,133,452	2,944,403
Total assets	$ 5,043,991	$ 4,521,540

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable	$ 180,132	$ 27,328
Accrued expenses	21,955	61,120
Loan payable, current	34,224	106,631
Total current liabilities	236,311	195,079
Long-term liabilities		
Loan payable, net of current portion	112,588	113,421
Total long-term liabilities	112,588	113,421
Total liabilities	348,899	308,500
Net assets		
Without donor restrictions		
Undesignated	4,524,745	4,145,040
Board designated	87,000	68,000
With donor restrictions	83,347	-
Total net assets	4,695,092	4,213,040
Total liabilities and net assets	$ 5,043,991	$ 4,521,540

See Notes to Financial Statements.

The Lakeview Pantry
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Statement of Activities
Year Ended March 31, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	Total
Revenue, support and contributions				
Contributions	$ 1,870,802	$ 83,347	$ 1,954,149	$ 1,596,395
In-kind donations - food donations	3,597,704	-	3,597,704	3,294,464
In-kind donations - services	20,003	-	20,003	17,898
Grants	391,200	138,424	529,624	301,612
Events	283,475	-	283,475	276,558
Less costs of direct benefits to event donors	(62,487)	-	(62,487)	(49,562)
Interest income	1,969	-	1,969	1,337
Miscellaneous income	5,687	-	5,687	19,086
Net assets released from restrictions	138,424	(138,424)	-	-
Total revenue and support	6,246,777	83,347	6,330,124	5,457,788
Functional expenses				
Program services				
Food program	5,008,379	-	5,008,379	4,482,902
Total program services	5,008,379	-	5,008,379	4,482,902
Support services				
Management and general	432,309	-	432,309	310,121
Fundraising	407,384	-	407,384	410,867
Total supporting services	839,693	-	839,693	720,988
Total expenses	5,848,072	-	5,848,072	5,203,890
Increase in net assets	398,705	83,347	482,052	253,898
Net assets, beginning	4,213,040	-	4,213,040	3,959,142
Net assets, end	$ 4,611,745	$ 83,347	$ 4,695,092	$ 4,213,040

See Notes to Financial Statements.

The Lakeview Pantry
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Statement of Functional Expenses
Year Ended March 31, 2019
(With Comparative Totals for 2018)

	2019				
	Program services	Management and general	Fundraising	Total	2018 Total
Food program	$ 3,871,820	$ -	$ -	$ 3,871,820	$ 3,563,957
Salaries and benefits	741,826	274,072	260,136	1,276,034	1,064,398
Development	7,899	12,555	104,678	125,132	126,490
Administrative	77,479	28,489	27,041	133,009	100,179
Facilities expenses	98,199	5,456	5,456	109,111	106,738
Professional fees	101,412	101,411	-	202,823	101,465
Insurance	13,473	4,978	4,725	23,176	23,169
Depreciation	87,758	4,875	4,875	97,508	97,187
Interest expense	8,513	473	473	9,459	20,307
Total functional expenses	$ 5,008,379	$ 432,309	$ 407,384	$ 5,848,072	$ 5,203,890

See Notes to Financial Statements.

The Lakeview Pantry
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Statement of Cash Flows
Year Ended March 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Increase in net assets	$ 482,052	$ 253,898
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	97,508	97,187
Changes in assets and liabilities		
(Increase) decrease in assets		
Inventory	(5,681)	(4,171)
Prepaid expenses	(16,801)	(241)
Promises to give	30,629	80,497
Other receivables	7,685	(7,685)
Deposits and other assets	(22,777)	482
Increase (decrease) in liabilities		
Accounts payable	39,496	(2,657)
Accrued expenses	(39,165)	35,985
Net cash provided by operating activities	572,946	453,295
Cash flows from investing activities		
Purchases of fixed assets	(155,234)	-
Net cash used in investing activities	(155,234)	-
Cash flows from financing activities		
Payments on loan	(73,240)	(202,886)
Net cash used in financing activities	(73,240)	(202,886)
Net increase in cash and restricted cash	344,472	250,409
Cash and restricted cash, beginning	1,444,305	1,193,896
Cash and restricted cash, end	$ 1,788,777	$ 1,444,305
Supplemental cash flow information		
Cash paid for interest	$ 9,938	$ 22,189
Significant noncash activities		
Increase in fixed assets	$ 113,308	$ -
Increase in accounts payable	(113,308)	-
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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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, 2019 and 2018 are as follows:

	2019	2018
Land	$ 337,221	$ 337,221
Building	2,551,105	2,551,105
Leasehold improvements	27,927	27,927
Furniture and equipment	256,253	250,218
Vehicles	55,705	55,705
Construction in progress	262,507	-
Total	3,490,718	3,222,176
Accumulated depreciation	(382,817)	(285,309)
Net book value	$ 3,107,901	$ 2,936,867

Net assets
The Pantry classifies net assets as without donor restrictions and with donor restrictions.

Without donor restrictions net assets of the Pantry are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

With donor restrictions 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 or 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.

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 functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. The following represents the allocation method by category:

Category	Method of Allocation
Food program	100% related to Program
Salaries and benefits	Estimate of employee percentage of time spent related to each functional category
Development	Estimate of applicability to each area based on review of direct costs
Administrative	Estimate of applicability to each area based on review of direct costs
Facilities expenses	Based on estimated percentage of square footage allocated to office and pantry space
Professional fees	Specifically identified consulting costs allocated 100% to Management and General; other professional fees allocated evenly between Program and Management and General
Insurance	Allocated by the same percentages determined for salaries and benefits
Depreciation	Estimate of percentage of fixed assets applicable to each functional category
Interest expense	Percentage allocation based on terms of IFF loan

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, 2019. The Pantry's Form 990, Return of Organization Exempt from Income Tax, for the years ending March 31, 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

Adoption of new accounting pronouncements

In August 2016, the FASB issued Accounting Standard Update ("ASU") ASU No. 2016-14, Not-for-Profit Entities (Topic 958) ("ASU 2016-14"), which improves the presentation of financial statements of not-for-profit entities. The change is intended to provide more useful information to donors, grantors and other users. The ASU impacts all not-for-profit entities in the scope of Topic 958. The ASU addresses the following key qualitative and quantitative matters: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and availability of resources and 5) presentation of operation cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 with early application permitted. ASU 2016-14 has been applied to all periods presented with the exception of certain disclosures regarding liquidity and availability of resources as permitted by the standard.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of March 31, 2018 is as follows:

	ASU 2016-14 Classifications		
Net Assets Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As previously presented:			
Unrestricted			
Undesignated	$ 4,145,040	$ -	$ 4,145,040
Board designated	68,000	-	68,000
Net assets as previously presented	4,213,040	-	4,213,040
Net assets, as reclassified	$ 4,213,040	$ -	$ 4,213,040

In February 2016, the FASB issued Accounting Standard Update ("ASU") ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 with early application permitted. The Pantry is currently evaluating the effect that the updated standard will have on its financial statements.

Note 3 - Availability and liquidity

The following represents the Pantry's financial assets at March 31, 2019:

Financial assets at year end:	
Cash	$ 1,618,430
Restricted cash	170,347
Promises to give - current	17,333
Total financial assets	1,806,110
Less amounts not available to be used within one year	
Board designated net assets	(87,000)
Financial assets not available to be used within one year	(87,000)
Financial assets available to meet general expenditures within one year	$ 1,719,110

Liquidity management

The Pantry maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Pantry continuously reviews current obligations to ensure the adequacy of financial assets available to liquidate in the event of an unforeseen circumstance.

As more fully described in Note 11, the Pantry has a committed line of credit in the amount of $100,000, which it could draw upon in the event of an unanticipated liquidity need.

Note 4 - Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classes. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Pantry's financial statements for the year ended March 31, 2018, from which the summarized information was derived. The Pantry's financial statements for the year ended March 31, 2018, dated October 19, 2018, expressed an unmodified opinion on those statements.

Note 5 - Restricted cash

Restricted cash consists of the following as of March 31, 2019 and 2018:

	2019	2018
Cash held in checking account designated by the Board for specific purpose (Note 9)	$ 87,000	$ 68,000
Building/capital maintenance escrow	-	20,000
Van escrow	40,000	-
Warehouse escrow	43,347	-
	$ 170,347	$ 88,000

Note 6 - 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, 2019 and 2018 was $17,333 and $47,962, respectively.

The amounts receivable in the ensuing year is as follows:

Less than one year	$	18,200
Less present value discount		(867)
Total contributions receivable	$	17,333

Note 7 - 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 in prior years. No future draws on the loan are available. The loan bears interest at 5.375% per annum. Principal and interest were payable in monthly installments of $10,423, beginning on May 1, 2017, modified to monthly installments of principal and interest of $3,440 beginning October 1, 2018, 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, 2019 and 2018, the balance on the loan is $146,812 and $220,052, respectively.

Aggregate maturities of long-term debt are as follows:

March 31, 2020	$	34,224
2021		36,110
2022		38,099
2023		38,379
Total	$	146,812

Note 8 - Net assets with donor restrictions

During the years ended March 31, 2019 and 2018, the Pantry received contributions for the capital campaign in the amount of $0 and $2,623, respectively. These contributions are restricted for the purpose of the Pantry purchasing and making improvements to the new main headquarters.

As of March 31, 2019 and 2018, there were net assets with donor restrictions of $83,347 and $0, respectively.

Note 9 - Board designated net assets

Net assets without donor restrictions have been designated for a specific purpose, and certain assets have been set aside accordingly as follows at March 31, 2019 and 2018:

	2019	2018
Restricted cash	$ 87,000	$ 68,000

Note 10 - Lease commitments

The Pantry also operates at a location in West Lakeview, Chicago, where the Pantry entered into an operating lease agreement through July 31, 2019. The lease provides for monthly rent payments of $1,089 through June 30, 2017, $1,143 through June 30, 2018 and $1,200 through July 31, 2019.

On November 28, 2018, the Pantry entered into an operating lease agreement for additional warehouse space in the Ravenswood neighborhood in Chicago, Illinois. The lease term commences on December 1, 2018 and concludes on November 30, 2024. The lease provides for monthly rent payments of $10,323, increasing annually. As part of the lease agreement, the Pantry is entitled to an abatement of rent payments for the first five months of the lease.

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

March 31, 2020	$ 118,187
2021	128,040
2022	131,240
2023	134,474
2024	137,812
Thereafter	93,389
Total	$ 743,142

Note 11 - 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, 2020. The Pantry has never drawn on the line of credit and only has it for emergency cash flow purposes.

Note 12 - In-kind donations

During the years ended March 31, 2019 and 2018, the Pantry received $3,597,704 and $3,294,464, respectively, in food donations. The food was recorded at fair value and recognized as a contribution when received.

Note 13 - Concentration of revenue

During the year ended March 31, 2019, approximately 74% of all food donations were received from five entities: Costco, Trader Joe's, Whole Foods, Testa Produce, and Greater Chicago Food Depository.

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

Note 14 - 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, 2019.

Note 15 - 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. The Pantry evaluated subsequent events through August 23, 2019, the date the financial statements were available to be issued. The Pantry is not aware of any subsequent events that would require recognition or disclosure to the financial statements.

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