

WEST SUBURBAN COMMUNITY PANTRY, INC.

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND 2017**

TOGETHER WITH AUDITOR'S REPORT



Certified Public Accountants
4320 WINFIELD ROAD, SUITE 450
WARRENVILLE, IL 60555
630 665 4440
duganlopatka.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
West Suburban Community Pantry, Inc.:

We have audited the accompanying financial statements of West Suburban Community Pantry, Inc., which comprise the statement of assets, liabilities, and net assets - modified cash basis as of June 30, 2018 and 2017, and the related statements of support, revenue, expenses and changes in net assets - modified cash basis and functional expenses - modified cash basis for the years 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 financial statements are free of 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 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.

To the Board of Directors of
West Suburban Community Pantry, Inc.:
Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of West Suburban Community Pantry, Inc. as of June 30, 2018 and 2017, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than the accounting basis generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Dugan & Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
October 17, 2018

WEST SUBURBAN COMMUNITY PANTRY, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
ASSETS:		
Cash and cash equivalents	\$ 143,444	\$ 76,360
Certificates of deposit	636,138	528,068
Property and equipment, net	<u>504,746</u>	<u>516,677</u>
Total assets	<u>\$ 1,284,328</u>	<u>\$ 1,121,105</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Conditional promises to give	<u>\$ 500,000</u>	<u>\$ 500,000</u>
NET ASSETS:		
Unrestricted	784,328	616,868
Unrestricted - board designated	<u>-</u>	<u>4,237</u>
Total net assets	<u>784,328</u>	<u>621,105</u>
Total liabilities and net assets	<u>\$ 1,284,328</u>	<u>\$ 1,121,105</u>

The accompanying notes are an integral part of this statement.

WEST SUBURBAN COMMUNITY PANTRY, INC.
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE:						
Donated goods	\$ 1,707,166	\$ -	\$ 1,707,166	\$ 1,591,495	\$ -	\$ 1,591,495
Contributions	42,299	-	42,299	44,649	-	44,649
Corporate donations	35,906	-	35,906	13,118	-	13,118
Grants	169,210	-	169,210	94,003	3,000	97,003
Individual donations	296,426	-	296,426	318,950	-	318,950
Annual fundraisers	284,470	-	284,470	259,345	-	259,345
Church donations	16,407	-	16,407	19,701	-	19,701
Miscellaneous income	-	-	-	11,725	-	11,725
Gain on sale of fixed asset	-	-	-	7,500	-	7,500
Interest income	6,971	-	6,971	1,154	-	1,154
	<u>2,558,855</u>	<u>-</u>	<u>2,558,855</u>	<u>2,361,640</u>	<u>3,000</u>	<u>2,364,640</u>
Total public support and revenue						
	-	-	-	4,692	(4,692)	-
RECLASSIFICATIONS:						
Net assets released upon satisfaction of purpose restrictions						
	-	-	-			
EXPENSES:						
Program	2,147,442	-	2,147,442	1,998,739	-	1,998,739
General and administrative	106,782	-	106,782	93,017	-	93,017
Fundraising	141,408	-	141,408	102,491	-	102,491
	<u>2,395,632</u>	<u>-</u>	<u>2,395,632</u>	<u>2,194,247</u>	<u>-</u>	<u>2,194,247</u>
Total program expenses						
	163,223	-	163,223	172,085	(1,692)	170,393
CHANGES IN NET ASSETS						
NET ASSETS, Beginning of year	621,105	-	621,105	449,020	1,692	450,712
NET ASSETS, End of year	<u>\$ 784,328</u>	<u>\$ -</u>	<u>\$ 784,328</u>	<u>\$ 621,105</u>	<u>\$ -</u>	<u>\$ 621,105</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 3

WEST SUBURBAN COMMUNITY PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017				
	Program	General and Administrative	Fundraising	Total	Program	General and Administrative	Fundraising	Total
Donated goods	\$ 1,707,166	\$ -	\$ -	\$ 1,707,166	\$ 1,591,495	\$ -	\$ -	\$ 1,591,495
Food and sundry	118,527	-	-	118,527	113,331	-	-	113,331
Educational and supportive services	9,099	-	-	9,099	6,596	-	-	6,596
Payroll expenses	206,345	74,155	62,113	342,613	164,590	70,760	38,887	274,237
Dues and subscriptions	2,630	-	-	2,630	4,510	-	-	4,510
Supplies	1,527	-	-	1,527	833	-	-	833
Depreciation	11,931	-	-	11,931	26,761	-	-	26,761
Fundraising	-	-	60,661	60,661	-	-	46,400	46,400
Industrial park dues	7,040	-	-	7,040	7,680	-	-	7,680
Insurance	10,954	2,087	-	13,041	9,383	1,787	-	11,170
Licenses and fees	-	300	-	300	-	681	-	681
Meetings and seminars	-	7,817	-	7,817	-	1,152	-	1,152
Miscellaneous	4,939	3,117	-	8,056	7,635	1,564	-	9,199
Office supplies	7,178	2,871	4,307	14,356	2,455	982	1,473	4,910
Publicity	6,400	914	1,829	9,143	4,522	646	1,292	6,460
Repairs and maintenance	8,539	-	-	8,539	10,268	-	-	10,268
Telephone and utilities	10,425	4,170	6,255	20,850	10,218	4,087	6,131	20,436
Vehicle expenses	8,846	-	2,212	11,058	9,974	-	2,494	12,468
Postage	925	616	1,541	3,082	1,580	1,053	2,633	5,266
Printing	6,971	498	2,490	9,959	8,908	636	3,181	12,725
Professional fees	-	10,237	-	10,237	-	9,669	-	9,669
Rental property expense	18,000	-	-	18,000	18,000	-	-	18,000
	<u>\$ 2,147,442</u>	<u>\$ 106,782</u>	<u>\$ 141,408</u>	<u>\$ 2,395,632</u>	<u>\$ 1,998,739</u>	<u>\$ 93,017</u>	<u>\$ 102,491</u>	<u>\$ 2,194,247</u>

The accompanying notes are an integral part of this statement.

WEST SUBURBAN COMMUNITY PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities -

West Suburban Community Pantry, Inc. (the "Organization") was incorporated in 1992 to serve the community by feeding the hungry and sharing resources to improve the quality of life. The vision of the Organization is a community without hunger. During the years ended June 30, 2018 and 2017, the Organization distributed approximately 1,290,000 and 1,210,000 pounds of food, respectively.

The financial statements were available to be issued on October 17, 2018, with subsequent events being evaluated through this date.

Basis of Presentation -

Financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC), *Financial Statements of Not-for-Profit Organizations*. Under the ASC, the Organization 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 as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Accounting Method -

The financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. A cash basis of accounting recognizes income from cash when received rather than earned and expenses when paid rather than when incurred. Modifications to the cash basis of accounting include recording property and equipment, related depreciation expense, conditional promises to give (mortgage payable) and donated food.

Estimates -

The Organization prepares its financial statements in conformity with the modified cash basis of accounting which is another generally accepted basis of accounting, which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents -

Cash and cash equivalents consist of bank deposits in federally insured accounts with a maturity of three months or less and gift cards received to be used for the purchase of food.

Credit Risk -

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains cash balances at several financial institutions in the local area. Accounts at each institution are insured by the FDIC up to \$250,000. Deposits may exceed the federally insured limits of their institution from time to time.

Property and Equipment -

Property and equipment are stated at cost. It is the Organization's policy to capitalize property or equipment with a cost or estimated fair value in excess of \$1,500. Depreciation is calculated using the modified accelerated cost recovery system over the estimated useful lives of the respective assets, ranging from five to thirty-nine years. This depreciation method is not a generally accepted method and when compared to the straight-line method it was determined to be immaterially different. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the statement of support, revenue, expenses and changes in net assets.

Donated Services -

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. These volunteers have a significant impact on making the Organization effective by donating approximately 28,300 and 30,300 hours during the years ended June 30, 2018 and 2017, respectively. However, the value of these services is not reflected in the financial statements because they do not meet the definition of donated services under the ASC.

Income Taxes -

The Organization is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code and state laws. Accordingly, no provision for income taxes has been established.

The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2014. The Organization does not expect a material change in unrecognized tax benefits in the next twelve months.

Revenue Recognition -

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

(2) PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Building and building improvements	\$ 539,717	\$ 539,717
Equipment	129,789	129,789
Land	105,000	105,000
Vehicles	<u>50,534</u>	<u>50,534</u>
	825,040	825,040
Less - Accumulated depreciation	<u>(320,294)</u>	<u>(308,363)</u>
Property and equipment, net	<u>\$ 504,746</u>	<u>\$ 516,677</u>

Depreciation expense for the fiscal years ended June 30, 2018 and 2017 was \$11,931 and \$26,761, respectively.

(3) CONDITIONAL PROMISES TO GIVE:

The Organization has received a total of \$500,000 in two conditional promises to give grants on properties located at 6805 and 6809 Hobson Valley Drive, Woodridge, Illinois. At June 30, 2008, the outstanding balance was \$200,000. The new conditional promise was added in November, 2008 totaling \$300,000 for the purchase of the 6805 Hobson property. The Organization is required to meet certain covenants related to building maintenance, payment of property taxes, continuance of existence and others. If the covenants are met, the original promise to give will be fulfilled on September 4, 2023. The new promise requires repayment if the Organization sells or transfers the property before November 20, 2028. Both conditional promises to give are secured by mortgages.

(4) DONATED GOODS:

Donated goods and services are recorded in the financial statements at their estimated fair market value on the date of receipt. The Organization reports gifts of donated food and grocery products over which it has control as unrestricted support when received and, shortly thereafter, as expense when distributed to donees. During the years ended June 30, 2018 and 2017, approximately 1,164,000 and 953,000 pounds of donated product were received, respectively. The approximate average wholesale value of one pound of donated product at the national level was determined to be \$1.73 and \$1.67 a pound for the years ended June 30, 2018 and 2017, respectively. For the years ended June 30, 2018 and 2017, the Organization received approximately \$1,707,000 and \$1,592,000 in donated food and grocery products, respectively.

(5) LEASE COMMITMENTS:

The Organization has a lease for additional warehouse storage. The lease expires in October, 2018 with monthly rent of \$1,500. Rent expense for the years ended June 30, 2018 and 2017 was \$18,000 for both years.

The future minimum lease payments are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ <u>4,500</u>

(6) RESTRICTED RESOURCES:

At June 30, 2018 and 2017, there were no temporarily restricted net assets.

(7) UNRESTRICTED - BOARD DESIGNATED:

At June 30, 2018 and 2017, the board designated net asset funds received in memorial of one of the founders was \$0 and \$4,237, respectively.