

**THE OPEN DOOR/
CAPE ANN FOOD PANTRY, INC.**
Financial Statements
For the Years Ended
June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Open Door/Cape Ann Food Pantry, Inc.
Gloucester, Massachusetts

Opinion

We have audited the accompanying financial statements of The Open Door/Cape Ann Food Pantry, Inc. (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, cash flows and changes in net assets for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Open Door/Cape Ann Food Pantry, Inc. as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in conformity 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 Open Door/Cape Ann Food Pantry, Inc. 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Open Door/Cape Ann Food Pantry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 it 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, including omissions, 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 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 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 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 Open Door/Cape Ann Food Pantry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Open Door/Cape Ann Food Pantry, Inc.'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.



HORVITZ & FRISCH, P.C.
Gloucester, Massachusetts

January 17, 2023

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statements of Financial Position

June 30, 2022 and 2021

| <u>ASSETS</u> | | |
|--|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,464,191 | \$ 688,925 |
| Promises to Give, Current Portion | 416,185 | 556,583 |
| Prepaid Expenses | 69,029 | 29,797 |
| Total Current Assets | <u>1,949,405</u> | <u>1,275,305</u> |
| Property and Equipment, Net of Accumulated Depreciation | <u>3,050,060</u> | <u>2,493,480</u> |
| Other Assets: | | |
| Certificates of Deposit | 1,014,519 | 1,287,320 |
| Cash and Cash Equivalents - Board Designated Funds | 1,092,129 | 1,037,129 |
| Promises to Give, Net of Current Portion | - | 40,000 |
| Capital Campaign Assets: | | |
| Certificates of Deposit | 1,257,429 | 1,155,242 |
| Promises to Give | 144,500 | 166,833 |
| Total Capital Campaign Assets | <u>1,401,929</u> | <u>1,322,075</u> |
| Total Other Assets | <u>3,508,577</u> | <u>3,686,524</u> |
| Total Assets | <u>\$ 8,508,042</u> | <u>\$ 7,455,309</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Note Payable, Current Portion | \$ 13,867 | \$ 13,258 |
| Accounts Payable and Accrued Expenses | 112,331 | 62,872 |
| Deferred Revenue | 18,750 | 43,750 |
| Accrued Payroll and Payroll Taxes | 78,600 | 57,424 |
| Accrued Vacation | 36,406 | 41,479 |
| Total Current Liabilities | <u>259,954</u> | <u>218,783</u> |
| Long Term Liabilities: | | |
| Note Payable, Net of Current Portion | <u>470,167</u> | <u>493,276</u> |
| Total Long Term Liabilities | <u>470,167</u> | <u>493,276</u> |
| Total Liabilities | <u>730,121</u> | <u>712,059</u> |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Operating | 2,336,041 | 1,840,517 |
| Net Investment in Property and Equipment | 2,566,026 | 1,986,946 |
| Board Designated | 1,092,129 | 1,037,129 |
| Total Without Donor Restrictions | <u>5,994,196</u> | <u>4,864,592</u> |
| With Donor Restrictions | <u>1,783,725</u> | <u>1,878,658</u> |
| Total Net Assets | <u>7,777,921</u> | <u>6,743,250</u> |
| Total Liabilities and Net Assets | <u>\$ 8,508,042</u> | <u>\$ 7,455,309</u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------------|
| Revenues: | | | |
| Contributions | \$ 1,438,058 | \$ 377,200 | \$ 1,815,258 |
| In-Kind Food Donations | 2,564,849 | - | 2,564,849 |
| Public Grants | 333,069 | 36,000 | 369,069 |
| Corporate / Foundation Grants | 508,360 | 105,000 | 613,360 |
| Fundraising | 734,900 | - | 734,900 |
| Loss on Promises to Give | (12,890) | - | (12,890) |
| Thrift Shop Sales | 1,136,901 | - | 1,136,901 |
| Prepared Meals Reimbursement | 88,925 | - | 88,925 |
| Interest Income | 8,537 | - | 8,537 |
| Gain on Sale of Assets | 18,580 | - | 18,580 |
| Miscellaneous Income | 1,331 | - | 1,331 |
| Net assets released from restrictions: | | | |
| Expiration of Time | 194,801 | (194,801) | - |
| Satisfaction of Performance | 418,332 | (418,332) | - |
| Total Revenues | <u>7,433,753</u> | <u>(94,933)</u> | <u>7,338,820</u> |
| Expenses: | | | |
| Program | 5,492,382 | - | 5,492,382 |
| Management and General | 393,262 | - | 393,262 |
| Fundraising | 418,505 | - | 418,505 |
| Total Expenses | <u>6,304,149</u> | <u>-</u> | <u>6,304,149</u> |
| Change in Net Assets | 1,129,604 | (94,933) | 1,034,671 |
| Net Assets, Beginning of Year | <u>4,864,592</u> | <u>1,878,658</u> | <u>6,743,250</u> |
| Net Assets, End of Year | \$ <u>5,994,196</u> | \$ <u>1,783,725</u> | \$ <u>7,777,921</u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|----------------------|
| Revenues: | | | |
| Contributions | \$ 1,362,343 | \$ 367,673 | \$ 1,730,016 |
| In-Kind Food Donations | 2,763,980 | - | 2,763,980 |
| Public Grants | 204,749 | 174,279 | 379,028 |
| Corporate/ Foundation Grants | 856,190 | - | 856,190 |
| Fundraising | 631,752 | 65,000 | 696,752 |
| Loss on Promises to Give | (28,457) | - | (28,457) |
| Thrift Shop Sales | 938,966 | - | 938,966 |
| Prepared Meals Reimbursement | 116,160 | - | 116,160 |
| Interest Income | 14,666 | - | 14,666 |
| Miscellaneous Income | 2,390 | - | 2,390 |
| Paycheck Protection Program Loan Forgiveness | 345,782 | - | 345,782 |
| Net assets released from restrictions: Satisfaction of Performance | 542,306 | (542,306) | - |
| Total Revenues | <u>7,750,827</u> | <u>64,646</u> | <u>7,815,473</u> |
| Expenses: | | | |
| Program | 5,360,011 | - | 5,360,011 |
| Management and General | 395,697 | - | 395,697 |
| Fundraising | 310,922 | - | 310,922 |
| Total Expenses | <u>6,066,630</u> | <u>-</u> | <u>6,066,630</u> |
| Change in Net Assets | 1,684,197 | 64,646 | 1,748,843 |
| Net Assets, Beginning of Year | <u>3,180,395</u> | <u>1,814,012</u> | <u>4,994,407</u> |
| Net Assets, End of year | <u>\$ 4,864,592</u> | <u>\$ 1,878,658</u> | <u>\$ 6,743,250</u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022 (With Comparative Totals for the Year Ended June 30, 2021)

| | Program | | | | | | 2022 Total | 2021 Total |
|--------------------------------|---------------------|-------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | Distribution | Nutrition & Advocacy | Thrift Shop | Total Program | Management and General | Fundraising | | |
| Salaries and Wages | \$ 669,448 | \$ 306,562 | \$ 442,744 | \$ 1,418,754 | \$ 179,952 | \$ 299,865 | \$ 1,898,571 | \$ 1,595,447 |
| Payroll Taxes | 55,869 | 27,992 | 41,068 | 124,929 | 21,322 | 21,327 | 167,578 | 152,461 |
| Employee Benefits | 20,039 | 25,106 | 34,506 | 79,651 | 64,237 | 52,458 | 196,346 | 178,845 |
| Food Purchased and Distributed | 324,822 | 80,303 | - | 405,125 | - | 13 | 405,138 | 412,384 |
| Food Donated and Distributed | 2,564,849 | - | - | 2,564,849 | - | - | 2,564,849 | 2,763,980 |
| Occupancy | 88,698 | 10,256 | 215,972 | 314,926 | 18,594 | 2,411 | 335,931 | 321,601 |
| Transportation | 28,648 | 655 | 2,953 | 32,256 | 7,258 | - | 39,514 | 23,742 |
| Small Equipment Purchases | 24,532 | 352 | 3,150 | 28,034 | 297 | 99 | 28,430 | 38,876 |
| Employment Expenses | 55,660 | 2,010 | 2,538 | 60,208 | 12,060 | 1,214 | 73,482 | 63,200 |
| Accounting | - | - | - | - | 15,730 | - | 15,730 | 13,513 |
| Advertising | 895 | - | 1,515 | 2,410 | 1,287 | 150 | 3,847 | 4,093 |
| Insurance | 15,416 | 15,416 | 15,416 | 46,248 | 3,083 | 2,055 | 51,386 | 59,867 |
| Postage and Delivery | 1,249 | 1,612 | 4,960 | 7,821 | 3,494 | 6,165 | 17,480 | 14,486 |
| Supplies | 32,543 | 42,336 | 11,056 | 85,935 | 5,948 | 1,392 | 93,275 | 64,428 |
| Printing and Publications | 1,816 | - | 1,608 | 3,424 | 353 | 17,311 | 21,088 | 16,917 |
| Bank and Credit Card Fees | 3,608 | 587 | 19,446 | 23,641 | 2 | 586 | 24,229 | 23,236 |
| Office Expenses | 8,394 | 4,422 | 7,507 | 20,323 | 10,240 | 2,452 | 33,015 | 29,251 |
| Outreach | 9,125 | 3,906 | 1,302 | 14,333 | 50 | 4,223 | 18,606 | 17,028 |
| Technology | 19,243 | 1,641 | 699 | 21,583 | 12,688 | 5,384 | 39,655 | 34,847 |
| Outside Services | 44,353 | 9,133 | - | 53,486 | 36,667 | 1,400 | 91,553 | 103,242 |
| Interest Expense | - | - | - | - | - | - | - | 2,082 |
| Depreciation | 167,593 | - | 16,853 | 184,446 | - | - | 184,446 | 133,104 |
| Total | \$ 4,136,800 | \$ 532,289 | \$ 823,293 | \$ 5,492,382 | \$ 393,262 | \$ 418,505 | \$ 6,304,149 | \$ 6,066,630 |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2021

| | Program | | | | | | Total |
|--------------------------------|---------------------|----------------------|-------------------|---------------------|------------------------|-------------------|---------------------|
| | Distribution | Nutrition & Advocacy | Thrift Shop | Program | Management and General | Fundraising | Total |
| Salaries and Wages | \$ 516,842 | \$ 286,548 | \$ 404,699 | \$ 1,208,089 | \$ 163,105 | \$ 224,253 | \$ 1,595,447 |
| Payroll Taxes | 46,176 | 27,543 | 37,901 | 111,620 | 27,951 | 12,890 | 152,461 |
| Employee Benefits | 28,465 | 19,051 | 35,510 | 83,026 | 58,060 | 37,759 | 178,845 |
| Food Purchased and Distributed | 350,099 | 62,204 | 58 | 412,361 | 23 | - | 412,384 |
| Food Donated and Distributed | 2,763,980 | - | - | 2,763,980 | - | - | 2,763,980 |
| Occupancy | 86,691 | 10,024 | 204,356 | 301,071 | 18,173 | 2,357 | 321,601 |
| Transportation | 16,856 | 2,063 | 1,273 | 20,192 | 3,550 | - | 23,742 |
| Small Equipment Purchases | 33,629 | - | 5,047 | 38,676 | 200 | - | 38,876 |
| Employment Expenses | 53,428 | 972 | 3,201 | 57,601 | 4,687 | 912 | 63,200 |
| Accounting | - | - | - | - | 13,513 | - | 13,513 |
| Advertising | 400 | - | 2,415 | 2,815 | 1,278 | - | 4,093 |
| Insurance | 17,960 | 17,960 | 17,960 | 53,880 | 3,592 | 2,395 | 59,867 |
| Postage and Delivery | 3,035 | 160 | 3,074 | 6,269 | 1,142 | 7,075 | 14,486 |
| Supplies | 34,206 | 19,414 | 7,904 | 61,524 | 2,141 | 763 | 64,428 |
| Printing and Publications | 5,691 | - | - | 5,691 | - | 11,226 | 16,917 |
| Bank and Credit Card Fees | 4,799 | 488 | 17,291 | 22,578 | 206 | 452 | 23,236 |
| Office Expenses | 6,372 | 4,055 | 7,519 | 17,946 | 9,359 | 1,946 | 29,251 |
| Outreach | 15,223 | 1,726 | - | 16,949 | - | 79 | 17,028 |
| Technology | 16,758 | 2,266 | 591 | 19,615 | 7,666 | 7,566 | 34,847 |
| Outside Services | 13,459 | 8,217 | 1,348 | 23,024 | 78,969 | 1,249 | 103,242 |
| Interest Expense | - | - | - | - | 2,082 | - | 2,082 |
| Depreciation | 117,810 | - | 15,294 | 133,104 | - | - | 133,104 |
| Total | \$ 4,131,879 | \$ 462,691 | \$ 765,441 | \$ 5,360,011 | \$ 395,697 | \$ 310,922 | \$ 6,066,630 |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Cash Flows from Operating Activities: | | |
| Change in Net Assets | \$ 1,034,671 | \$ 1,748,843 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 184,446 | 133,104 |
| Certificates of Deposit Interest | (4,088) | (14,523) |
| Accrued Interest Expense | - | 2,082 |
| Paycheck Protection Program Loan Forgiveness | - | (345,782) |
| Gain on Sale of Asset | (18,580) | (408) |
| (Increase) Decrease in: | | |
| Promises to Give - Program Related | 180,398 | (73,662) |
| Promises to Give - Capital Campaign | 22,333 | 246,084 |
| Prepaid Expenses | (39,232) | 3,118 |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Expenses | 49,459 | (5,789) |
| Deferred Revenue | (25,000) | (25,000) |
| Accounts Payroll and Payroll Taxes | 21,176 | 15,007 |
| Accrued Vacation | (5,073) | (12,656) |
| Net Cash Provided by Operating Activities | <u>1,400,510</u> | <u>1,670,418</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds (Purchase) of Certificates of Deposit | 174,702 | (1,069,180) |
| Proceeds from Sale of Asset | 18,580 | 3,000 |
| Purchase of Vehicles | (60,308) | (145,248) |
| Purchase of Building and Soft Costs | (17,268) | - |
| Purchase of Equipment | (36,273) | (81,741) |
| Purchase of Thrift Shop Improvements | (19,038) | (9,315) |
| Purchase of Construction in Progress | (608,139) | (30,790) |
| Purchase of Pantry Improvements | - | (48,512) |
| Net Cash (Used) by Investing Activities | <u>(547,744)</u> | <u>(1,381,786)</u> |
| Cash Flows from Financing Activities: | | |
| Payments of Note Payable | <u>(22,500)</u> | <u>(19,991)</u> |
| Net Cash (Used) by Financing Activities | <u>(22,500)</u> | <u>(19,991)</u> |
| Net Increase in Cash and Cash Equivalents | 830,266 | 268,641 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,726,054</u> | <u>1,457,413</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,556,320</u> | <u>\$ 1,726,054</u> |

See Independent Auditor's Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statements of Cash Flows - Continued
For the Years Ended June 30, 2022 and 2021

Supplemental Disclosures:

Operating activities reflect interest accrued of \$2,082 for the year ended June 30, 2021 which was expensed and included on the Statement of Functional Expenses.

Investing activities reflect interest paid of \$19,501 for the year ended June 30, 2022 which was capitalized and included in Property and Equipment, Net on the Statement of Financial Position.

Investing activities reflect interest paid of \$22,008 for the year ended June 30, 2021 which was capitalized and included in Property and Equipment, Net on the Statement of Financial Position.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies

Operations and Nonprofit Status

The Open Door/Cape Ann Food Pantry, Inc. (the Organization) is a non-profit, community supported, charitable organization committed to alleviating hunger in the community. The Organization accomplishes its mission by using practical strategies to connect people to good food, advocate for those in need and engage others in the work of building food security. With physical locations in Gloucester and Ipswich, MA, the Organization serves low-income residents of Gloucester, Rockport, Essex, Manchester-by-the-Sea, Essex, Ipswich, Boxford, Topsfield, Rowley, Hamilton and Wenham, MA.

The Organization also operates a thrift shop, which resells donated clothing, furniture and goods to help support the food programs.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

Concentration of Revenue

Revenue from one program, the Thrift Shop, represented approximately 15% and 12% of total revenues for the years ended June 30, 2022 and 2021, respectively. Excluding In-Kind Food Donations, the program represented approximately 24% and 19% of total revenues for the years ended June 30, 2022 and 2021, respectively.

The Thrift Shop operation provided \$415,000 and \$295,000 in net direct support to the food pantry operations for the year ended June 30, 2022 and 2021, respectively.

Support from a Major Contributor

The Organization received approximately 24% and 22% of total support and revenue from one donor, The Greater Boston Food Bank, for the years ended June 30, 2022 and 2021, respectively. These contributions were in the form of donated food.

Revenue and Revenue Recognition

Revenue is recognized when earned. The sale of donated in-kind inventory in the Organization's thrift-shop is recognized when the item is sold. Program service fees and payments received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met or the donor has explicitly released the restriction.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents

The Open Door/Cape Ann Food Pantry, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents are as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|------------------|---------------------|---------------------|
| Operating | \$ 1,464,191 | \$ 688,925 |
| Board Designated | <u>1,092,129</u> | <u>1,037,129</u> |
| | <u>\$ 2,556,320</u> | <u>\$ 1,726,054</u> |

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, telephone, cable, internet, heat, light, power, water and depreciation which are allocated on a square footage basis. Salaries and wages, payroll taxes and insurance are allocated based on estimates of time and effort.

Financial Statements Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Open Door/Cape Ann Food Pantry, Inc. and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board designated restrictions are considered without donor restrictions under these reporting standards.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies - Continued

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$3,847 and \$4,093 for the years ended June 30, 2022 and 2021, respectively.

Income Taxes

The Organization is a non-profit organization, not a private foundation, that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for federal or state income taxes has been included in the accompanying financial statements.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the Organization's past three tax years remain open for possible examination by the Internal Revenue Service.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

In-Kind Contributions of Materials and Services

The Organization records the value of contributed services that are provided by individuals requiring specialized skills or that enhance or create non-financial assets. No amounts were recorded for the years ended June 30, 2022 and 2021. The value of contributed materials is recorded based upon the fair market value of the goods received less any cost to the organization. Other than referred to above, no other amounts were recorded during the years ended June 30, 2022 and 2021.

No amounts have been recorded for the value of contributed services received from numerous volunteers who are involved in events and activities that did not meet requirements for recognition in the financial statements. The total amount of volunteer hours contributed to the Organization's events and activities amounted to 13,000 and 16,200 for the years ended June 30, 2022 and 2021, respectively.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies – Continued

Inventory – Thrift Shop Program

In-Kind inventory for the Organization’s thrift shop program is not recorded in the statement of financial position as there is no practical method for valuing donated items. Donations of used household items, clothing, furniture and other bric-a-brac are sold through the Organization’s thrift shop and are recorded as Thrift Shop Revenue when sold. Some items are donated to other non-profit organizations or distributed through a referral network.

Inventory – Food Program and In-kind Food Donations

In-Kind inventory for the Organization’s food program is not recorded in the statement of financial position as the method for consistently recording its value has been determined as arbitrary and immaterial to the financial statements.

The Organization does record In-Kind Donations to the food program which is included in the statement of activities. The Organization bases the per pound value on a study performed by Feeding America, which was \$1.79 and \$1.74 per pound for the years ended June 30, 2022 and 2021, respectively. The Organization recorded the following In-Kind Donations of food for the years ended June 30:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|---------------------|---------------------|
| Pounds of Donated Food | 1,432,877 | 1,588,494 |
| Value Per Pound | \$ 1.79 | \$ 1.74 |
| Total Value of Donated Food | <u>\$ 2,564,849</u> | <u>\$ 2,763,980</u> |

The Organization recorded a corresponding expense which is detailed in the statement of functional expenses as Food Donated and Distributed.

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 financial statement amounts and disclosures. Actual results could differ from those estimates and assumptions.

Property and Equipment

The Organization capitalizes major purchases of property and equipment invoiced over \$3,000, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred. Capitalized property and equipment are recorded at cost, if purchased or constructed; or at fair market value at the date of the gift, if donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets capitalized or over the length of the lease for leasehold improvements.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

1. Operations, Nonprofit Status and Summary of Significant Accounting Policies - Continued

Property and equipment consisted of the following as of June 30:

| | 2022 | 2021 | Estimated Useful Life |
|--------------------------|--------------|--------------|--------------------------|
| Land | \$ 437,918 | \$ 437,918 | |
| Building | 1,895,582 | 1,878,313 | 39 Years |
| Food Pantry Equipment | 413,902 | 392,974 | 5 Years |
| Thrift Shop Equipment | 185,908 | 166,870 | 3-10 Years |
| Vehicles | 393,381 | 409,419 | 5 Years |
| | 3,326,691 | 3,285,494 | |
| Accumulated Depreciation | (1,001,351) | (908,595) | |
| | 2,325,340 | 2,376,899 | |
| Construction in Progress | 724,720 | 116,581 | |
| | \$ 3,050,060 | \$ 2,493,480 | |

Depreciation expense amounted to \$184,446 and \$133,104 for the years ended June 30, 2022 and 2021, respectively.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. No discount has been calculated on current year receivables because management deems the amount to be immaterial. Uncollectible promises to give are expected to be insignificant and therefore no allowance for uncollectible promises has been established.

Deferred Revenue

Certain income received during the year ended June 30, 2018 is deferred and will be recognized in the year in which the associated expenses are incurred. Deferred Revenue amounted to \$18,750 and \$43,750 at June 30, 2022 and 2021, respectively.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 2,590,709 | \$ 1,610,597 |
| Promises to Give | 246,575 | 556,583 |
| Total | <u>\$ 2,837,284</u> | <u>\$ 2,167,180</u> |

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit. From time to time, the Board assesses the cash requirements of its operating activities and repositions its cash position accordingly. In addition to the above amounts, the Organization has a \$100,000 line of credit available to meet cash requirements. See note 6.

3. Unconditional Promises to Give

Unconditional promises to give are as follows as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Receivable in One Year | \$ 351,185 | \$ 657,666 |
| Receivable in Two to Five Years | 209,500 | 105,750 |
| Receivable in more than Five Years | - | - |
| Total Unconditional Promises to Give | <u>560,685</u> | <u>763,416</u> |
| Less Discounts to Net Present Value | - | - |
| Net Unconditional Promises to Give | <u>\$ 560,685</u> | <u>\$ 763,416</u> |
| Program Related: | | |
| Promises to Give, Current Portion | \$ 416,185 | \$ 556,583 |
| Promises to Give, Net of Current Portion | - | 40,000 |
| Total Program Related | <u>416,185</u> | <u>596,583</u> |
| Capital Campaign: | | |
| Promises to Give, Current Portion | 70,000 | 101,083 |
| Promises to Give, Net of Current Portion | 74,500 | 65,750 |
| Total Capital Campaign | <u>144,500</u> | <u>166,833</u> |
| Total | <u>\$ 560,685</u> | <u>\$ 763,416</u> |

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

4. Conditional Promises to Give

During the year ended June 30, 2021, the Organization was the recipient of a conditional promise to give. Subject to the terms of the promise, the Organization will receive \$50,000 per year for ten years through June 2030. The outstanding balance of the conditional promise to give was \$400,000 and \$450,000 at June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, the Organization received a second conditional promise to give whereby the donor will give \$100,000 in FY24 should certain strategic goals, objectives and activities be met.

5. Beneficial Interest in Perpetual Trust

During the year ended June 30, 2022, the Organization received notification that it was a beneficiary of a perpetual trust. Based on the terms of the trust agreement, the Organization will receive all the income earned by the trust, distributed on a quarterly basis, in perpetuity or until the Organization ceases to exist. The Organization is not a trustee of the perpetual trust and the trust is administered by a professional third party company.

The beneficial interest in the trust is reported at fair value, which is estimated as the fair value of the underlying assets. Distributions of income from the trust assets are for general purposes and are reported as investment return without donor restrictions. The value of the beneficial interest in the trust is adjusted annually for the change in estimated fair value. Those changes in value are reported as changes in net assets with donor restrictions because it is unlikely that the trusts' assets will ever be distributed to the Organization.

Upon execution of the donor's estate and full funding of the perpetual trust, which is anticipated to occur during the year ending June 30, 2023, the Organization will recognize a contribution equal to the fair value of the trust, as described above. As of the date of these financial statements, the Organization estimates that the fair value of the trust will be in excess of \$2,000,000, although these funds will remain in the trust and the Organization will only receive the investment income earned by the trust.

6. Line of Credit

The Organization maintains a \$100,000 line of credit with a bank which was unused at June 30, 2022 and 2021. Bank advances are payable on demand, with interest payable monthly at the bank's eighteen-month certificate of deposit rate plus 3%, which was 3.5% and 3.75% at June 30, 2022 and 2021, respectively. The line of credit is secured by a \$100,000 certificate of deposit. Available borrowings amounted to \$100,000 at June 30, 2022 and 2021.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

7. Note Payable

Note Payable consists of the following at June 30:

| | 2022 | 2021 |
|--|------------|------------|
| Note Payable to a bank in 300 monthly principal and interest payments through May 2044. For the first ten years, the monthly payment amounts to \$3,029 with an interest rate of 4.5%. Subsequently, and for every fifth year after, the interest rate will be adjusted to 3.25% over the average weekly yield of United States Treasury securities. The note is secured by a certain parcel of real estate. | \$ 484,034 | \$ 506,534 |
| | 484,034 | 506,534 |
| Less Current Portion | (13,867) | (13,258) |
| Long-Term Portion | \$ 470,167 | \$ 493,276 |

Maturities of note payable over the next five years are as follows at June 30, 2022:

Fiscal Years Ending June 30:

| | | |
|------------|----|---------|
| 2023 | \$ | 13,867 |
| 2024 | | 14,504 |
| 2025 | | 15,170 |
| 2026 | | 15,867 |
| 2027 | | 16,574 |
| Thereafter | | 408,052 |
| | \$ | 484,034 |

8. Paycheck Protection Program – Note Payable

On April 20, 2020, the Organization was granted a loan from a bank in the amount of \$343,700 pursuant to the Paycheck Protection Program (the “PPP”). The PPP, established under the CARES Act, provided for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization. The loan and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, interest on debt obligations incurred before February 15, 2020, and maintained its staffing levels.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

8. Paycheck Protection Program – Note Payable - Continued

The Organization used the proceeds for purposes consistent with the PPP conditions and recorded the forgiveness of the loan, along with accrued interest, as revenue on the statement of activities for the year ended June 30, 2021 totaling \$345,782.

9. Net Assets

Net Assets consist of the following at June 30:

| | 2022 | 2021 |
|---|------------------|------------------|
| Net Assets Without Donor Restrictions: | | |
| Operating | \$ 2,336,041 | \$ 1,840,517 |
| Net Investment in Property and Equipment | 2,566,026 | 1,986,946 |
| Board Designated: | | |
| Capital Campaign | 92,129 | 92,129 |
| Vehicle Replacement | 65,000 | 65,000 |
| Equipment Replacement | 25,000 | 25,000 |
| Pilot Programs | 30,000 | 30,000 |
| Operating Reserves | 880,000 | 825,000 |
| Total Board Designated | 1,092,129 | 1,037,129 |
| Total Net Assets Without Donor Restrictions | 5,994,196 | 4,864,592 |
| Net Assets With Donor Restrictions: | | |
| Subject to Expenditures for Specified Purpose: | | |
| Capital Campaign | 1,367,540 | 1,322,075 |
| Youth Training/ Food Rescue | 5,145 | 5,284 |
| Advocacy | 28,465 | 30,173 |
| Food Programs | 111,000 | 55,000 |
| Registered Dietician | 25,000 | 25,000 |
| | 1,537,150 | 1,437,532 |
| Subject To the Passage of Time: | | |
| Promises to Give, Without Donor Restrictons, But Which Are Unavailable for Expenditure Until Due | 246,575 | 441,126 |
| Total Net Assets With Donor Restrictions | 1,783,725 | 1,878,658 |
| Total Net Assets | \$ 7,777,921 | \$ 6,743,250 |

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

10. Rent

Effective October 1, 2013, the Organization entered into a ten-year lease for its Thrift Shop location. Monthly rent for the first five years is \$8,200 which increased to \$8,528 for the second five years. During the year ended June 30, 2017, the Organization began leasing additional space for its Thrift Store location. Effective January 1, 2017, the lease was amended to add \$850 per month through September 30, 2018, increasing to \$900 per month for the remainder of the lease. Effective July 1, 2018, the Organization began leasing additional space at the Thrift Shop location which resulted in an additional \$1,200 per month due for the remainder of the lease. In September 2020, the Thrift Shop location began leasing additional space at the rate of \$1,900 per month bringing the total monthly rent obligation to \$12,428.

Future minimum lease payments for the next five years as of June 30, 2022 are as follows:

Fiscal Years Ending June 30:

| | |
|------|-------------------|
| 2023 | \$ 149,136 |
| 2024 | 37,284 |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| | <u>\$ 186,420</u> |

The Organization paid rent of \$149,136 and \$145,536 for the years ended June 30, 2022 and 2021, respectively.

11. Operating Lease Commitment

During the year ended June 30, 2021, the Organization leased a vehicle subject to an operating lease. Thirty-six monthly payments of \$439 are due through June 2024.

Future minimum lease payments for the next five years as of June 30, 2022 are as follows:

Fiscal Years Ending June 30:

| | |
|------|------------------|
| 2023 | \$ 5,268 |
| 2024 | 5,268 |
| 2025 | - |
| 2026 | - |
| 2027 | - |
| | <u>\$ 10,536</u> |

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued
For the Years Ended June 30, 2022 and 2021

12. Related Party Transactions

The President/CEO of the Organization is also a member of the Board of Directors of the Greater Boston Food Bank, a major contributor which provides approximately 24% and 22% of total support and revenue in the form of donated food, for the years ended June 30, 2022 and 2021, respectively.

13. Commitments and Contingencies – Related Party

In April 2022, the Organization entered into a construction contract with a company owned by one of its directors. The total commitment of the contract totals \$2,850,020 with \$500,000 paid prior to June 30, 2022. This amount is included in Construction in Progress. The project is expected to be finished in the year ended June 30, 2023.

14. Simple IRA Plan

The Organization maintains a SIMPLE IRA plan under which employees make voluntary tax deductible contributions. The Organization matches each eligible employee's contributions up to 3% of the employee's compensation. Employer contributions amounted to \$32,606 and \$26,456 for the years ended June 30, 2022 and 2021, respectively.

15. Capital Campaign and Related Construction in Progress

Beginning in fiscal year ended June 30, 2019, the Organization began a capital campaign to finance the acquisition of a neighboring property for the purpose of expanding its food and nutrition service operations. The construction and renovations include connecting the two properties with a new commercial production kitchen, increasing cold/dry storage, updating existing spaces to include private offices for nutrition counseling and client services, creating open flex space for future needs, and increasing energy efficiency throughout the campus. Additionally, the campaign includes a new generator to power the entire campus, a farmers truck, two refrigerated delivery vans, and technology architecture investments. The entire project adds 7,400 square feet to the existing space substantially increasing the Organization's capacity for nutrition education, prepared meals, and grocery distribution across the region. The total estimated cost of the project as of June 30, 2022 is \$4.4M with \$2.7M raised as of the same date. The project is estimated to be completed during the year ending June 30, 2023.

16. Subsequent Events

The Organization did not have any subsequent events through January 17, 2023, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2022.