

**THE OPEN DOOR/
CAPE ANN FOOD PANTRY, INC.**
Financial Statements
For the Six Months Ended
June 30, 2016

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Open Door/Cape Ann Food Pantry, Inc. (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2016 and the related statements of activities, functional expenses, cash flows and changes in net assets for the six months 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 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 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 Open Door/Cape Ann Food Pantry, Inc. as of June 30, 2016 and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

Horvitz & Frisch, P.C.

HORVITZ & FRISCH, P.C.
Gloucester, Massachusetts

January 17, 2017

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Financial Position

June 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	537,390
Promises to Give, Current Portion		206,228
Prepaid Expenses		18,810
Total Current Assets		<u>762,428</u>

Property and Equipment, Net of

Accumulated Depreciation		<u>1,703,736</u>
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Other Assets:

Certificates of Deposit		210,988
Promises to Give, Net of Current Portion		74,346
Investments		13,645
Security Deposit		1,500
Total Other Assets		<u>300,479</u>

Total Assets	\$	<u>2,766,643</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Notes Payable, Current Portion	\$	33,101
Accounts Payable and Accrued Expenses		66,275
Accrued Payroll and Payroll Taxes		22,200
Accrued Vacation		20,339
Total Current Liabilities		<u>141,915</u>

Long Term Liabilities:

Notes Payable, Net of Current Portion		<u>25,779</u>
Total Long Term Liabilities		<u>25,779</u>

Total Liabilities		<u>167,694</u>
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Net Assets:

Unrestricted:

Operating		346,612
Net Investment in Property and Equipment		1,644,856
Board Designated		212,129
Total Unrestricted		<u>2,203,597</u>

Temporarily Restricted		<u>395,352</u>
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Total Net Assets		<u>2,598,949</u>
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Total Liabilities and Net Assets	\$	<u>2,766,643</u>
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See Accountant's Audit 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 Six Months Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 119,440	\$ 5,000	\$ 124,440
In-Kind Food Donations	851,967	-	851,967
Public Grants	19,742	20,000	39,742
Private Foundations	177,646	183,015	360,661
Fundraising	82,030	-	82,030
Thrift Shop	492,443	-	492,443
Prepared Meals Reimbursement	6,050	-	6,050
Interest Income	1,489	-	1,489
Investment Return	502	-	502
Net assets released from restrictions:			
Satisfaction of Performance	<u>205,526</u>	<u>(205,526)</u>	<u>-</u>
 Total Revenues	 <u>1,956,835</u>	 <u>2,489</u>	 <u>1,959,324</u>
 Expenses:			
Program	1,826,459	-	1,826,459
Management and General	190,539	-	190,539
Fundraising	<u>26,118</u>	<u>-</u>	<u>26,118</u>
 Total Expenses	 <u>2,043,116</u>	 <u>-</u>	 <u>2,043,116</u>
 Change in Net Assets	 (86,281)	 2,489	 (83,792)
Net Assets, Beginning of Period	2,132,509	392,863	2,525,372
Increase as a result of Acquisition	<u>157,369</u>	<u>-</u>	<u>157,369</u>
Net Assets, End of Period	\$ <u>2,203,597</u>	\$ <u>395,352</u>	\$ <u>2,598,949</u>

See Accountant's Audit Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.
Statement of Functional Expenses
For the Six Months Ended June 30, 2016

	Program			Management and General	Fundraising Expenses	Total
	Food and Meals	Thrift Shop	Total			
Salaries and Wages	\$ 248,084	\$ 199,402	\$ 447,486	\$ 114,557	\$ 21,310	\$ 583,353
Payroll Taxes	23,219	18,663	41,882	10,722	1,994	54,598
Employee Benefits	12,937	9,275	22,212	24,390	1,016	47,618
Food Purchase	121,402	-	121,402	-	-	121,402
In-Kind Food Donations	851,967	-	851,967	-	-	851,967
Transportation	29,245	2,881	32,126	-	-	32,126
Small Equipment Purchases	23,429	7,336	30,765	-	-	30,765
Occupancy	62,345	70,398	132,743	6,972	-	139,715
Employment Expenses	11,106	627	11,733	-	-	11,733
Accounting	-	-	-	10,500	-	10,500
Advertising	3,665	70	3,735	-	-	3,735
Insurance	-	-	-	14,188	-	14,188
Postage and Delivery	3,594	835	4,429	-	-	4,429
Supplies	17,920	4,442	22,362	-	1,798	24,160
Printing and Publications	4,374	2,549	6,923	-	-	6,923
Bank and Credit Card Fees	454	8,114	8,568	-	-	8,568
Outside Services	6,222	400	6,622	-	-	6,622
Office Expenses	3,855	3,870	7,725	7,466	-	15,191
Outreach	13,598	-	13,598	-	-	13,598
Subgrants	8,735	-	8,735	-	-	8,735
Depreciation	49,454	1,992	51,446	1,744	-	53,190
Total	\$ 1,495,605	\$ 330,854	\$ 1,826,459	\$ 190,539	\$ 26,118	\$ 2,043,116

See Accountant's Audit Report and Accompanying Notes to Financial Statements

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Statement of Cash Flows
For the Six Months Ended June 30, 2016

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (83,792)
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) by Operating Activities:	
Depreciation	53,190
Investment Return	(502)
Certificates of Deposit Interest	(636)
(Increase) Decrease in:	
Promises to Give	(64,196)
Prepaid Expenses	(2,024)
Security Deposit	(1,500)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	<u>26,340</u>
Net Cash (Used) by Operating Activities	<u>(73,120)</u>
Cash Flows from Investing Activities:	
Purchase of Equipment	(29,616)
Purchase of Vehicle	(9,000)
Purchase of Pantry Expansion Improvements	(18,092)
Proceeds from Acquisition	<u>157,369</u>
Net Cash Provided by Investing Activities	<u>100,661</u>
Cash Flows from Financing Activities:	
Payments of Notes Payable	<u>(163,587)</u>
Net Cash (Used) by Financing Activities	<u>(163,587)</u>
Net (Decrease) in Cash and Cash Equivalents	(136,046)
Cash and Cash Equivalents, Beginning of Period	<u>673,436</u>
Cash and Cash Equivalents, End of Period	\$ <u><u>537,390</u></u>

Supplemental Disclosures:

Operating activities reflect interest paid of \$3,981 for the six months ended June 30, 2016.

During the six months ended June 30, 2016, the Organization acquired a vehicle, with a purchase price of \$19,000, by incurring \$10,000 of long term debt resulting in cash paid of \$9,000.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to the Financial Statements
For the Six Months Ended June 30, 2016

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, represents approximately 25% of total revenues for the six months ended June 30, 2016.

The Thrift Shop operation provided \$170,000 in direct support to the food pantry operations for the six months ended June 30, 2016.

Support from a Major Contributor

The Organization received approximately 33% of total support and revenue from one donor, The Greater Boston Food Bank, for the six months ended June 30, 2016. These contributions were in the form of donated food.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of program, management and general, and fundraising expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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:

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

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

Financial Statements Presentation – Continued

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated restrictions are considered unrestricted under these reporting standards.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of The Open Door/Cape Ann Food Pantry, Inc. and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by The Open Door/Cape Ann Food Pantry, Inc. Generally, the donors of these assets permit The Open Door/Cape Ann Food Pantry, Inc. to use all or part of the income earned on related investments for general or specific purposes.

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.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense amounted to \$3,735 for the six months ended June 30, 2016.

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 tax years 2013 through 2015 remain open for possible examination by the Internal Revenue Service.

Contributions

In accordance with ASC Topic 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

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

In-Kind Contributions of Materials and Services - Continued

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 12,734 for the six months ended June 30, 2016.

The value of contributed materials is recorded based upon the fair market value of the goods received less any cost to the organization. See Inventory – Food Program and In-Kind Food Donations and Inventory – Thrift Shop Program.

Inventory – Food Program and In-kind Food Donations

In-Kind inventory at June 30, 2016 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 \$1.70 per pound for the six months ended June 30, 2016. The Organization recorded the following in-kind donations of food for the six months ended June 30, 2016:

Pounds of Donated Food	501,157
Value Per Pound	\$ <u>1.70</u>
Total Value of Donated Food	\$ <u><u>851,967</u></u>

The Organization recorded a corresponding expense which is detailed in the statement of functional expenses as In-Kind Food Donations.

Inventory – Thrift Shop Program

In-Kind inventory at June 30, 2016 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.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

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

Investments

The Organization follows Topic 820 of the FASB accounting standards codification. Topic 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Topic 820 established a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under Topic 820 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level II: Inputs other than quoted prices that are unobservable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable.

An investments' level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Organization's management values investments, which are publicly traded, using observable, or Level I inputs – the quoted price in an active market.

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.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

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

Property and Equipment – Continued

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.

Property and equipment consisted of the following as of June 30, 2016:

		<u>Estimated Useful Life</u>
Land	\$ 186,911	
Building	1,372,982	39 Years
Food Pantry Equipment	218,599	5 Years
Thrift Shop Equipment	95,004	5 Years
Vehicles	<u>217,738</u>	5 Years
	2,091,234	
Accumulated Depreciation	<u>(387,498)</u>	
	<u>\$ 1,703,736</u>	

Depreciation expense amounted to \$53,190 for the six months ended June 30, 2016.

In 2015, the Organization completed a 2,000 square foot warehouse expansion to double dry storage and triple cold storage areas. The project also included the addition of a loading dock, increased parking spaces, classroom/ training space, a full pantry renovation and safety/ accessibility upgrades to the existing building.

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. Promises to give that are expected to be received beyond one year are discounted at a rate of 2.5%. Uncollectible promises to give are expected to be insignificant and therefore no allowance for uncollectible promises has been established.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

2. Unconditional Promises to Give

Unconditional promises to give are as follows as of June 30, 2016:

Receivable in One Year	\$	208,041
Receivable in Two to Five Years		75,000
Receivable in more than Five Years		<u>-</u>
Total Unconditional Promises to Give		283,041
Less Discounts to Net Present Value		<u>(2,467)</u>
Net Unconditional Promises to Give	\$	<u>280,574</u>
Promises to Give, Current Portion	\$	206,228
Promises to Give, Net of Current Portion		<u>74,346</u>
Total	\$	<u>280,574</u>

3. Rent

Effective October 1, 2013, the Organization entered into a ten year lease for its Thrift Store location. Monthly rent for the first five years is \$8,200 which increases to \$8,528 for the second five years.

In April 2016, the Organization entered into a one year renewable lease for additional space adjacent to its Food Pantry operations for the purpose of providing additional storage and a dedicated space for its kiln equipment. The rent obligation under this agreement is \$1,500 per month.

Future minimum lease payments for the next five years as of June 30, 2016 are as follows:

Year Ended June 30, 2017	\$	111,900
Year Ended June 30, 2018		98,400
Year Ended June 30, 2019		101,352
Year Ended June 30, 2020		102,336
Year Ended June 30, 2021		<u>102,336</u>
	\$	<u>516,324</u>

The Organization paid rent of \$53,700 for the six months ended June 30, 2016.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

4. Investments

Investments are considered Level 1 and consist of the following as of June 30, 2016:

	Cost	Fair Value	Cumulative Unrealized Appreciation/ (Depreciation)
70.461 shares of Vanguard 500 Index Fund Admiral	\$ 11,735	\$ 13,645	\$ 1,910
Total Investments	\$ 11,735	\$ 13,645	\$ 1,910

Investment return for the six months ended June 30, 2016 is summarized as follows:

Dividends	\$ 138
Unrealized Appreciation	364
Total Investment Return	\$ 502

5. Notes Payable

Notes Payable consist of the following at June 30, 2016:

During the year ended December 31, 2010, the Organization borrowed \$300,000 to finance the acquisition of real estate. The annual interest rate is 5.75% and is fixed for ten years. After ten years, it is adjusted every five years based upon the five year Federal Home Loan Bank of Boston amortizing advance rate plus a margin of 3.25%. During the year ended December 31, 2012, the bank lowered the interest rate to 5.25%. In August 2013, the Organization modified the note and reduced the interest rate to 4% and the amortization to 10 years. In May 2016, the Organization made a voluntary payment of \$150,000 which was funded by its Capital Campaign. The monthly principal and interest amount is \$2,593.

\$ 42,911

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.
Notes to Financial Statements - Continued
For the Six Months Ended June 30, 2016

5. Notes Payable – Continued

Note Payable to a bank in 60 monthly principal and interest payments of \$285 at a fixed rate of interest of 5.25% through May 2018. The note is secured by a motor vehicle. See Note 7. 6,227

Note Payable to a bank in 36 monthly principal and interest payments of \$300 at a fixed rate of interest of 5% through June 2019. The note is secured by a motor vehicle. See Note 7. 9,742

	58,880
Less Current Portion	<u>(33,101)</u>
Long-Term Portion	<u>\$ 25,779</u>

Maturities of note payable over the next five years are as follows at June 30, 2016:

Year Ended June 30, 2017	\$	33,101
Year Ended June 30, 2018		22,570
Year Ended June 30, 2019		3,209
Year Ended June 30, 2020		-
Year Ended June 30, 2021		-
	\$	<u>58,880</u>

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

6. Net Assets

Net Assets consist of the following at June 30, 2016:

Unrestricted:

Operating	\$	346,612
Net Investment in Property and Equipment		1,644,856
Board Designated:		
Capital Campaign		92,129
Vehicle Replacement		65,000
Equipment Replacement		25,000
Pilot Programs		30,000
Total Board Designated		<u>212,129</u>
Total Unrestricted		<u>2,203,597</u>

Temporarily Restricted:

Capital Campaign		57,999
Grant Related		173,338
Equipment Purchases		38,330
Food Programs		110,685
Senior Program		15,000
Total Temporarily Restricted		<u>395,352</u>
Total Net Assets	\$	<u>2,598,949</u>

7. Related Party Transactions

During the six months ended June 30, 2016, the Organization received transportation services from a related party. A member of the Organization's board of directors is the owner of the company which provided the services. The amount paid for these services amounted to \$11,830 for the six months ended June 30, 2016.

During the six months ended June 30, 2016, the Organization procured printing services from a company which is owned by one of its board members. The amount paid for these services amounted to \$6,194 for the six months ended June 30, 2016.

During the six months ended June 30, 2016, the Organization purchased a vehicle from a car dealership owned by one of its directors. The amount paid for this vehicle was \$19,000.

The Executive Director of the Organization is also a member of the Board of Directors of the Greater Boston Food Bank, a major contributor which provides approximately 33% of total support and revenue in the form of donated food.

THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

Notes to Financial Statements - Continued

For the Six Months Ended June 30, 2016

8. 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 \$8,413 for the six months ended June 30, 2016.

9. Merger

Effective February 8, 2016, the Ipswich Community Food Pantry, Inc. (ICFP) merged with The Open Door/ Cape Ann Food Pantry (TOD/CAFP) with the TOD/CAFP being the surviving corporation. Effective with the merger, the TOD/CAFP changed the end of its fiscal year to June. Although the effective date of the merger was February 8, 2016, the ICFP transferred all of its assets, consisting of \$157,369 of cash, on January 15, 2016 and the TOD/CAFP facilitated the programs of the Ipswich location effective January 1, 2016. There were no liabilities assumed in the merger.

10. Subsequent Events

The Organization did not have any subsequent events through January 17, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the six months ended June 30, 2016.