

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.



Feeding people. Changing lives.

FINANCIAL STATEMENTS

Year Ended June 30, 2023

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Open Door Cape Ann Food Pantry, Inc.

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year 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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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.'s ability and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities 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.

Adjustment to Prior Period Financial Statements

As disclosed in Note 19 to the financial statements, it was determined that both net assets without donor restrictions and net assets with donor restrictions were misstated as of June 30, 2022. Accordingly, the amount previously reported for net assets without donor restrictions and net assets with donor restrictions have been restated as of June 30, 2022 to correct these errors. Our opinion is not modified with respect to these matters.

Auditors' Responsibilities 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but 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 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 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.

Johnson O'Connor Feron & Carucci LLP

Wakefield, Massachusetts
March 23, 2024

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
STATEMENT OF FINANCIAL POSITION

	<u>June 30, 2023</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,164,001
Restricted cash	1,403,615
Accounts receivable	9,321
Current portion of contributions and grants receivable, net	485,072
Prepaid expenses	73,715
Inventory	253,967
Certificates of deposit	674,287
Total current assets	<u>4,063,978</u>
PROPERTY AND EQUIPMENT, NET	<u>5,023,400</u>
OTHER ASSETS	
Certificates of deposit	440,985
Contributions and grants receivable, less current portion and discount	493,281
Right of use asset - operating lease	1,381,796
Beneficial interest in charitable perpetual trust	4,000,465
Total other assets	<u>6,316,527</u>
Total assets	<u><u>\$ 15,403,905</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of notes payable	\$ 15,513
Current portion of operating lease liability	112,998
Accounts payable and accrued expenses	127,733
Accrued payroll and payroll taxes	94,634
Accrued vacation	38,198
Total current liabilities	<u>389,076</u>
OTHER LIABILITIES	
Notes payable, less current portion	445,122
Operating lease liability, less current portion	1,324,840
Total other liabilities	<u>1,769,962</u>
Total liabilities	<u>2,159,038</u>
NET ASSETS	
Net assets without donor restrictions	5,541,040
Net assets with donor restrictions	7,703,827
Total net assets	<u>13,244,867</u>
Total liabilities and net assets	<u><u>\$ 15,403,905</u></u>

See notes to financial statements.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
STATEMENT OF ACTIVITIES

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions, gifts and grants	\$ 1,956,588	\$ 5,714,716	\$ 7,671,304
In-kind food contributions	2,595,195	-	2,595,195
Prepared meals reimbursement	79,588	-	79,588
Interest income	73,299	-	73,299
Miscellaneous income	3,648	-	3,648
Net assets released from donor restrictions	1,020,094	(1,020,094)	-
	<u>5,728,412</u>	<u>4,694,622</u>	<u>10,423,034</u>
Thrift store:			
Sales	1,389,484	-	1,389,484
In-kind contributions of thrift shop goods	1,389,484	-	1,389,484
Cost of goods sold - in-kind	(1,368,435)	-	(1,368,435)
	<u>1,410,533</u>	<u>-</u>	<u>1,410,533</u>
Special event:			
Special event revenue	212,131	-	212,131
Direct benefit to donors	(7,589)	-	(7,589)
	<u>204,542</u>	<u>-</u>	<u>204,542</u>
Total revenues	<u>7,343,487</u>	<u>4,694,622</u>	<u>12,038,109</u>
EXPENSES			
<u>Program services -</u>			
Distribution	4,615,514	-	4,615,514
Nutrition & advocacy	679,979	-	679,979
Second glance	1,060,723	-	1,060,723
Total program services	<u>6,356,216</u>	<u>-</u>	<u>6,356,216</u>
<u>Supporting services -</u>			
Management & general	485,263	-	485,263
Fundraising	441,037	-	441,037
Total supporting services	<u>926,300</u>	<u>-</u>	<u>926,300</u>
Total expenses	<u>7,282,516</u>	<u>-</u>	<u>7,282,516</u>
Loss on uncollectible contribution and grant receivable	(28,400)	-	(28,400)
Change in net assets	<u>32,571</u>	<u>4,694,622</u>	<u>4,727,193</u>
NET ASSETS - BEGINNING OF YEAR AS PREVIOUSLY REPORTED	<u>5,994,196</u>	<u>1,783,725</u>	<u>7,777,921</u>
Prior period adjustment	<u>(485,727)</u>	<u>1,225,480</u>	<u>739,753</u>
NET ASSETS - BEGINNING OF YEAR AS RESTATED	<u>5,508,469</u>	<u>3,009,205</u>	<u>8,517,674</u>
NET ASSETS - END OF YEAR	<u>\$ 5,541,040</u>	<u>\$ 7,703,827</u>	<u>\$ 13,244,867</u>

See notes to financial statements.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services			Supporting Services		
	Distribution	Nutrition & Advocacy	Second Glance	Management & General	Fundraising	Total
Contributed food	\$ 2,601,270	\$ -	\$ -	\$ -	\$ -	\$ 2,601,270
Salaries and wages	858,900	400,124	584,818	241,543	324,974	2,410,359
Food purchase	545,881	95,786	150	127	1,179	643,123
Occupancy	108,545	12,552	267,658	22,754	2,951	414,460
Employee benefits	41,054	36,815	36,998	74,639	19,840	209,346
Payroll taxes	76,569	35,920	56,332	30,604	24,163	223,588
Depreciation	161,774	-	15,225	-	-	176,999
Supplies	45,199	54,583	14,967	7,024	2,406	124,179
Insurance	20,421	20,421	20,421	4,084	2,723	68,070
Outside services & professional	32,208	5,175	-	22,130	6,666	66,179
Transportation	52,417	1,095	2,693	7,914	30	64,149
Technology	23,024	1,238	1,701	30,987	6,488	63,438
Employment expenses	19,205	4,366	4,230	8,474	9,620	45,895
Office expenses	9,354	7,382	7,597	9,653	2,965	36,951
Printing & publications	1,972	110	5,529	500	26,111	34,222
Bank & credit card fees	4,534	563	27,704	-	630	33,431
Postage & delivery	1,074	753	8,511	4,283	9,265	23,886
Outreach	9,734	2,849	1,148	100	8,590	22,421
Accounting	-	-	-	18,950	-	18,950
Small equipment purchases	1,719	247	3,126	396	-	5,488
Advertising	660	-	1,915	1,101	25	3,701
Total expenses	4,615,514	679,979	1,060,723	485,263	448,626	7,290,105
Less: Direct benefit to donors at special event	-	-	-	-	(7,589)	(7,589)
Total functional expenses	\$ 4,615,514	\$ 679,979	\$ 1,060,723	\$ 485,263	\$ 441,037	\$ 7,282,516

See notes to financial statements.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
STATEMENT OF CASH FLOWS

	Year Ended June 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 4,727,193
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Contribution of beneficial interest in charitable perpetual trust	(4,000,465)
Accretion of lease liability	41,490
Noncash lease expense	150,678
Depreciation and amortization	176,999
Accrued interest on certificates of deposit	(17,052)
Loss on uncollectible promises to give	28,400
(Increase) decrease in operating assets:	
Accounts receivable	(9,321)
Contributions and grants receivable	54,692
Prepaid expenses	(4,686)
Inventory	(14,974)
Increase (decrease) in operating liabilities:	
Operating lease liability	(136,126)
Accounts payable and accrued expenses	15,402
Accrued payroll and payroll taxes	16,034
Accrued vacation	1,792
Deferred revenue	(18,750)
Net cash provided by operating activities	<u>1,011,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificates of deposit	(1,000,005)
Proceeds from redemptions of certificates of deposit	916,304
Additions to construction in progress	(2,098,112)
Purchase of property and equipment	(52,227)
Net cash used by investing activities	<u>(2,234,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	(23,399)
Net cash used by financing activities	<u>(23,399)</u>
Net decrease in cash	(1,246,133)
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND FUNDED RESERVES - BEGINNING OF YEAR	<u>3,813,749</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND FUNDED RESERVES - END OF YEAR	<u><u>\$ 2,567,616</u></u>

See notes to financial statements.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
STATEMENT OF CASH FLOWS

	Year Ended June 30,
	<u>2023</u>
The table below provides a reconciliation of cash, cash equivalents, restricted cash, and funded reserves reported on the statement of financial position to the total shown above in the statement of cash flows:	
Cash and cash equivalents	\$ 1,164,001
Restricted cash and funded reserves	<u>1,403,615</u>
	<u><u>\$ 2,567,616</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION	
Cash paid during the year for:	
Interest	\$ 18,601
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 136,126
Right of use assets obtained in exchange for new operating lease liabilities	1,480,337

See notes to financial statements.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

1. STATEMENT OF PURPOSE

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, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting –

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

Use of Estimates –

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review –

Subsequent events have been evaluated by management through March 23, 2024, the date the financial statements were available to be issued.

Cash and Cash Equivalents and Restricted Cash –

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Restricted cash represents bank deposits designated by the board of directors to be used only for certain specific purposes.

Certificates of Deposit –

The Organization's investments in certificates of deposit, with original maturities greater than ninety days, are valued at face value plus accrued interest. The Organization's certificates of deposit bear interest at rates ranging from 2.23 % to 4.6% and mature between August 2023 and October 2024.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable –

Accounts receivable is recorded at the invoiced amount and do not bear interest. Accounts receivable are presented in the statement of financial position net of estimated uncollectible amounts. The Organization establishes an allowance for estimated uncollectible accounts sufficient to cover anticipated credit losses the end of the year. The Organization determines its allowance based on management's evaluation of outstanding accounts receivable at the end of the year. Adjustments are made in periods when any excess or shortfall is identified. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. There was no allowance for doubtful accounts at June 30, 2023.

Contribution and Grant Receivable –

Contributions and grants receivable consists of unconditional promises to give to be collected over a donor specified term. The Organization uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of possible bad debts. The allowance for uncollectable promises to give at June 30, 2023 was \$15,000.

The Organization discounts contributions and grants that are not due within one year to their present value at a risk-free rate of return based on the yield of a U.S. Treasury Security with a maturity date similar to the expected collection period. These discounts are ratably amortized over the life of the contributions and grants receivable and are recorded as contributions, gifts and grants in the statements of activities. The risk free discount rates range from 0.18%– 4.52% for the Organization's unconditional promises to give as of June 30, 2023. The discount on unconditional promises to give was \$35,719 at June 30, 2023.

Fair Value of Financial Instruments –

Fair value of a financial instrument is the amount that would be received in an asset sale or paid to transfer a liability in an orderly transaction between unaffiliated market participants. Assets and liabilities measured at fair value are categorized on whether the inputs are observable in the market and the degree that the inputs are observable. The categorization of financial instruments within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. The hierarchy is prioritized into three levels (with Level 3 being the lowest) defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment –

The Organization's endowment consists of a beneficial interest in a charitable perpetual trust, which was received during the year ended June 30, 2023. The endowment includes only funds with donor restrictions. In conformity with U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain. Deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies at June 30, 2023.

Inventory –

Inventory for the Organization's thrift shop program is recorded in the statement of financial position at the estimated resale value. Donation 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. Inventory of donated and purchased food is also recorded in the statement of financial position based on the average cost per pound of food per industry standards.

Property and Equipment –

Property and equipment are recorded at cost if purchased or estimated fair value if contributed. The Organization has a policy of capitalizing assets with a cost basis over \$3,000, which are not in the nature of replacements or repairs. The Organization provides for depreciation of property and equipment using the straight-line method over the estimated useful lives of the related assets, which range from three to thirty-nine years.

Leases –

The determination of whether an arrangement is a lease is made at the lease's inception. Under FASB ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since most of the Organization's leases do not provide an implicit rate, to determine the present value of lease payments, management uses a risk-free discount rate at the commencement date. ROU assets also include any prepaid lease payments made and exclude any lease incentives. Lease expense for lease payments on operating leases is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise the option.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets –

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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.

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 by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the donated 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 Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization records all contributions and grants receivable as with donor restrictions until payment is received. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition –

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional contributions and grants receivable, or notification of a beneficial interest is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designate for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. Conditional contributions and grants receivable are not recognized until the conditions on which they depend have been substantially met. Funds received before donor conditions have been met are presented as a refundable advance liability on the statement of financial position. As of June 30, 2023, the amount of conditional grants received by the Organization that are contingent upon certain barriers being met in the future was \$1,261,892.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. Total volunteer hours from these individuals totaled 20,757 for the year ended June 30, 2023.

Thrift store sales are recognized as revenue at the time thrift shop sales occur.

Special events revenue is comprised of ticket sales, sponsorships, and contribution revenue and is recognized at the time the event occurs.

Prepared meals reimbursement income represents revenue received by the Organization for the delivery of groceries and other meals prepared by the Organization. This income is recognized at the time the sale occurs. The Organizations recognizes deferred revenue when cash is received prior to the satisfaction of its performance obligations.

Contract Balances –

Accounts receivable and contract liabilities were as follows as of:

	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Accounts receivable	\$ 9,123	\$ -
Contract liabilities	\$ -	\$ 18,750

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses –

The Organization allocates expenses on a functional basis among its programs and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

Management and general – includes all activities related to the Organization’s internal management and accounting for program services.

Fundraising – includes activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization’s programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The allocation of salaries and wages, employee benefits, payroll taxes, and insurance are allocated based on estimates of time, effort and usage. The allocations of depreciation and occupancy are allocated based on actual asset usage and square footage.

Allocations of functional expenses are based on management’s discretion and estimates. These variables may change from year to year. As a result, there may be fluctuations in the comparative presentation of data from year to year.

Advertising Expense –

Advertising costs are expensed as incurred and amounted to \$3,701 for the year ended June 30, 2023.

Income Taxes –

The Organization is organized and operated exclusively for charitable and educational purposes. Income related to these purposes is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Unrelated business income would be taxable according to applicable Internal Revenue Code sections. The provision for federal and state income taxes has been computed on rental income and related concession sales that are subject to unrelated business income tax.

The Organization regularly reviews and evaluates its tax positions taken in its filed returns and recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The Organization accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes.

The Organization files federal and Massachusetts tax returns. The statute of limitations for these jurisdictions is generally three years. The Organization had no returns under examination as of June 30, 2023.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Pronouncement –

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective July 1, 2022. The Organization elected the package of practical expedients which allowed the Organization to not reassess previous accounting conclusions regarding lease identification, lease classification and initial direct costs. The Organization elected the short-term lease recognition exemption which provided the option to not recognize right-of-use assets and related liabilities that arise from certain leases with terms of twelve months or less. The Organization also elected the accounting policy to not separate lease and non-lease components for real estate leases entered into after adoption. The Organization also elected the accounting policy to utilize a risk-free discount rate to calculate lease liabilities for real estate leases when the rate implicit in the lease is not known.

The adoption had a material impact on the Organization's statement of financial position but not on the statement of activities or statement of functional expenses. The most significant impact was the recognition of a ROU asset and lease liability for operating lease. Adoption of the standard required the Organization to recognize, as of July 1, 2022, an operating lease ROU asset of \$121,050 and an operating lease liability of \$173,187.

Reclassifications –

Certain amounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year's financial statements. These reclassifications have no effect on previously reported change in net assets.

3. CONCENTRATION OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents, accounts receivable and revenue, and contributions and grants receivable.

Cash and Cash Equivalents –

The Organization maintains its cash in bank deposit accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed the federally insured limits. The Organization has not experienced losses in any of these accounts.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

3. CONCENTRATION OF CREDIT AND MARKET RISK (Continued)

Accounts Receivable and Revenue –

Revenue from one program, the Thrift Shop, represented approximately 12% of total revenues for the year ended June 30, 2023. Excluding in-kind food donations, the program represented approximately 17% of total revenue for the year ended June 30, 2023.

Contribution and Grants Receivable –

Credit risk associated with contributions and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts due are from Board members, corporations and individuals supportive of the Organization's mission. For the year ended June 30, 2023, one donor accounted for approximately 52% of contributions, gifts, and grants revenue and two donors accounted for approximately 35% of contributions and grants receivable as of June 30, 2023.

4. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the donor has set aside the funds for a specific time period or purpose.

	<u>June 30,</u> <u>2023</u>
Financial assets:	
Cash and cash equivalents	\$ 2,567,616
Contributions and grants receivable	978,353
Certificates of deposit	674,287
Accounts receivable	<u>9,321</u>
Current financial assets, at year end	<u>4,229,577</u>
Less those unavailable for general expenditure within one year, due to:	
Board designations for various purposes	1,403,615
Contributions and grants receivable collectible beyond one year	493,281
Other donor restricted net assets for a specified purpose	<u>424,936</u>
	<u>2,321,832</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,907,745</u></u>

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

4. LIQUIDITY AND FUNDS AVAILABLE (Continued)

The Organization receives significant contributions without donor restrictions and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following two guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization currently has a board designated fund established as a cash reserve which it intends to build over time through operations. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in certificates of deposit. In addition, the Organization has a \$100,000 line of credit available to meet cash requirements (see Note 18).

5. CONTRIBUTION AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable are as follows as of June 30, 2023:

Unconditional contributions and grants receivable	\$ 1,029,072
Less: allowance for uncollectible contributions receivable	(15,000)
Less: Unamortized discount	<u>(35,719)</u>
	<u><u>\$ 978,353</u></u>
Amounts due in:	
Less than one year (net of allowance)	\$ 484,572
One to five years	529,500
Less: Unamortized discount	<u>(35,719)</u>
	<u><u>\$ 978,353</u></u>

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of:

	June 30,
	2023
Construction in progress	\$ 2,686,749
Building improvements	1,360,437
Buildings	1,152,408
Machinery and equipment	608,773
Motor vehicles	393,381
	<u>6,201,748</u>
Less: Accumulated depreciation	<u>1,178,348</u>
Property and equipment, net	<u><u>\$ 5,023,400</u></u>

7. FAIR VALUE MEASUREMENTS

The following table is a summary of the Organization's financial assets measured at fair value on a recurring basis:

	Assets Measured at Fair Value as of June 30, 2023			
	Total	Level 1	Level 2	Level 3
Beneficial interest in charitable perpetual trust	\$ 4,000,465	\$ -	\$ -	\$ 4,000,465
	<u>\$ 4,000,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,000,465</u>

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

8. NOTES PAYABLE

Notes payable consisted of the following as of:

	<u>June 30,</u>
	<u>2023</u>
Note payable to a bank in 300 monthly principal and interest payments through May 2044. Per the original note terms, the monthly payments were to amount to \$3,029 with an interest rate of 4.5% over the first ten years. 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 Organization requested a rate modification, which was approved effective December 24, 2020. The modification reduced the interest rate to 3.875% for the remainder of the first ten years of the note term. The note is secured by a certain parcel of real estate.	\$ 460,635
Less: current portion	15,513
	<u>\$ 445,122</u>

Aggregated principal maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	
2024	\$ 15,513
2025	16,125
2026	16,761
2027	17,422
2028	18,824
Thereafter	375,990
	<u>\$ 460,635</u>

9. LEASES

The Organization leases certain retail space. The lease includes one or more options to renew, with renewal terms that can extend the lease term one year. The exercise of lease renewal options is at the Organization's sole discretion.

The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

The following summarizes the line items in the statement of activities which include the components of lease expense:

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

9. LEASES (Continued)

Lease Cost	Classification	June 30, 2023
Operating lease expense (a)	Occupancy expenses	\$ 268,946
Net lease cost		\$ 268,946

(a) Includes variable lease costs of \$64,976 for the year ended June 30, 2023.

The following summarizes the weighted average remaining lease term and discount rate:

	June 30, 2023
Weighted-Average Remaining Lease Term (Years)	
Operating lease	10.25
Weighted-Average Discount Rate	
Operating lease	3.70%

The maturities of operating lease liability as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	
2024	\$ 163,854
2025	165,552
2026	165,552
2027	165,552
2028	165,552
Thereafter	902,268
Total future lease commitments	1,728,330
Less: imputed interest	290,492
Present value of lease liability	1,437,838
Less: current portion of lease liability	112,998
Lease liability, net of current portion	\$ 1,324,840

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS

Net assets consisted of the following as of June 30, 2023:

Net assets without donor restrictions:

Operating	\$ 2,296,119
Net investment in property and equipment	1,841,306
Board designated:	
Capital campaign	92,129
Vehicle replacement	65,000
Equipment replacement	25,000
Pilot programs	30,000
Operating reserves	1,191,486
Total Board designated	<u>1,403,615</u>
Total net assets without donor restrictions	<u><u>\$ 5,541,040</u></u>

Net assets with donor restrictions are restricted for the following purposes or time periods:

	<u>June 30,</u>
	<u>2023</u>
Subject to expenditure for specified purpose:	
Capital campaign	\$ 2,738,010
Food programs	40,500
Youth training/support	<u>9,279</u>
	<u>2,787,789</u>
Subject to expenditure for specified purpose and passage of time:	
Capital campaign/time restrictions	437,303
Registered dietician/time restrictions	47,884
Food programs/time restrictions	<u>46,146</u>
	531,333
Subject to the passage of time:	
Promises to give unavailable for expenditure until due	<u>384,240</u>
	<u>384,240</u>
Endowments:	
Subject to endowment spending and appropriation:	
Interest in charitable perpetual trust	<u>4,000,465</u>
Total	<u><u>\$ 7,703,827</u></u>

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

10. NET ASSETS (Continued)

Net assets were released as follows for the year ended June 30, 2023:

	June 30, 2023
Release of program activity restrictions:	
Organizational capacity	50,000
Advocacy	28,465
Staffing needs	21,840
Total program activity restricted net assets	100,305
Release of program activity and time restrictions:	
Food programs/time restrictions	438,309
Youth training/support/time restrictions	5,145
Registered dietician/time restrictions	50,000
	493,454
Release of time restrictions	426,335
Total time restricted net assets	426,335
	<u>\$ 1,020,094</u>

11. ENDOWMENT

The Organization follows guidance on the net asset classifications and financial statement disclosures related to donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) which was enacted by the Commonwealth of Massachusetts effective June 30, 2009. As such, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner that is consistent with the standards of prudence prescribed by UPMIFA and in accordance with policy. The Organization's policy prohibits spending from underwater endowment funds.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

11. ENDOWMENT (Continued)

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets.

Spending Policy – The Organization’s spending policy is to spend only the income generated from the donor restricted endowment corpus. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, the Organization expects the current spending policy to be consistent with the Organization’s objective to maintain the endowment fund assets held in perpetuity as well as to provide additional growth through investment return.

The following is a summary of changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Additions:			
Contribution of charitable perpetual trust	-	4,000,465	4,000,465
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 4,000,465</u>	<u>\$ 4,000,465</u>

12. DONATED NON-FINANCIAL ASSETS

The Organization receives in-kind donations to the food program which is included in the statement of activities as in-kind contributions. The Organization calculated its per pound value of \$1.92 per pound for the year ended June 30, 2023 based on a national study on average food costs performed by Feeding America. The Organization also receives thrift shop donations of second-hand goods, which are valued at their expected resale value. The Organization recorded the following in-kind donations for the year ended June 30, 2023:

Donated food	\$ 2,595,195
Donated thrift shop goods	<u>1,389,484</u>
	<u>\$ 3,984,679</u>

There were no donor-imposed restrictions associated with the donated non-financial assets. Donated assets were utilized in the Organization’s programmatic activities during the year ended June 30, 2023.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

13. 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 provided approximately 52% of total non-cash donations in the form of donated food during the year ended June 30, 2023.

14. COMMITMENTS

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, of which \$2,686,749 was paid as of June 30, 2023. This amount is included in the construction in progress. The project is expected to be finished in the year ended June 30, 2024.

15. 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 \$41,537 for the year ended June 30, 2023.

16. 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 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 the energy efficiency throughout the campus. Additionally, the campaign includes a new generator to power the entire campus, a farmer's 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, 2023 is \$4.4M with \$4.125M raised as of the same date. The project is estimated to be completed during the year ending June 30, 2024.

THE OPEN DOOR CAPE ANN FOOD PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS

17. BENEFICIAL INTEREST IN CHARITABLE PERPETUAL TRUST

During the year ended June 30, 2023, the Organization received a beneficial interest in a charitable perpetual trust valued at \$4,000,465. Based on the terms of the trust agreement, the Organization will receive all income earned by the trust, which is to be 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 third-party investment custodian.

The beneficial interest in the trust is reported at fair value, which is estimated as the fair value of the underlying assets. As of June 30, 2023, the fair value of the beneficial interest in the charitable perpetual trust is \$4,000,465. 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, which are reported as changes in net assets with donor restrictions on the statement of activities.

18. LINE OF CREDIT

The Organization maintains a \$100,000 line of credit with a bank. There was no use on the bank line of credit during the year ended June 30, 2023. Bank advances are payable on demand, with interest payable monthly at the bank's eighteen-month certificate of deposit rate, which was 2.9% at June 30, 2023, plus 3%. The line of credit is secured by a certificate of deposit with a value of \$108,386 as of June 30, 2023. Available borrowings amounted to \$100,000 at June 30, 2023.

19. ADJUSTMENT TO PRIOR YEAR FINANCIAL STATEMENTS

During the year ended June 30, 2023, it was discovered that donated food and thrift store inventory balances had not been recorded by the Organization. The Organization also discovered that it had understated contributions and grants receivable by not recognizing numerous unconditional promises to give awarded to the Organization in a prior year. In addition, the Organization determined that it had classified the breakout between net assets with and without donor restrictions incorrectly as of June 30, 2022. As a consequence, the following adjustments were made to net assets without donor restrictions and net assets with donor restrictions as of July 1, 2022. These adjustments reflected a cumulative understatement in the Organization's change in net assets for the year ended June 30, 2022 in the amount of \$289,753.

	Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Understatement of inventory	\$ 238,993	\$ -	\$ 238,993
Understatement of unconditional promises to give	-	500,760	500,760
Premature release of net assets with donor restrictions	(724,720)	724,720	-
	<u>\$ (485,727)</u>	<u>\$ 1,225,480</u>	<u>\$ 739,753</u>

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