

THE FAMILY PANTRY OF CAPE COD CORPORATION
(a nonprofit corporation)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

THE FAMILY PANTRY OF CAPE COD CORPORATION

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December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Family Pantry of Cape Cod Corporation

We have audited the accompanying financial statements of the Family Pantry of Cape Cod Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above the present fairly, in all material respects, the financial position of the Family Pantry of Cape Cod Corporation as of December 31, 2015 and 2014, 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.

Sanders, Walsh & Eaton, LLP

Osterville, Massachusetts
June 27, 2016

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THE FAMILY PANTRY OF CAPE COD CORPORATION
Statements of Financial Position
December 31, 2015 and 2014

	ASSETS	
	2015	2014
Current Assets:		
Cash	\$ 320,192	\$ 536,201
Food inventory, at cost	14,491	24,311
Grants receivable	4,000	5,250
Certificates	-	1,045
Prepaid expenses	43,109	31,233
Total Current Assets	381,792	598,040
Fixed Assets:		
Automobiles	36,095	36,095
Furniture and fixtures	22,139	21,102
Machinery and equipment	70,658	50,961
Land and improvements	369,001	369,001
Buildings and improvements	1,529,014	1,220,619
Other	21,801	21,801
	2,048,708	1,719,579
Less accumulated depreciation	(525,533)	(460,386)
Total Fixed Assets	1,523,175	1,259,193
Total Assets	\$ 1,904,967	\$ 1,857,233
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 18,940	\$ 15,225
Notes payable - current portion	8,776	8,324
Total Current Liabilities	27,716	23,549
Long-term Liabilities:		
Notes payable - less current portion	232,210	240,986
Total Long-term Liabilities	232,210	240,986
Total Liabilities	259,926	264,535
Net Assets:		
Unrestricted	1,545,041	1,492,698
Board designated	100,000	100,000
Total Net Assets	1,645,041	1,592,698
Total Liabilities and Net Assets	\$ 1,904,967	\$ 1,857,233

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Donations, gifts and grants	\$ 2,793,667	\$ -	\$ 2,793,667
Bottle redemptions	28,032	-	28,032
Special events	176,179	-	176,179
Thrift shop sales	135,026	-	135,026
Other income	8	-	8
Investment income	3,889	-	3,889
Loss on disposition of assets	(3,774)	-	(3,774)
Total Revenues, Gains, and Other Support	<u>3,133,027</u>	<u>-</u>	<u>3,133,027</u>
Expenses:			
Program	2,803,239	-	2,803,239
Management and general	126,809	-	126,809
Fund-raising	150,636	-	150,636
Total Expenses	<u>3,080,684</u>	<u>-</u>	<u>3,080,684</u>
Increase (Decrease) in Net Assets	52,343	-	52,343
Net Assets at Beginning of Year	1,492,698	100,000	1,592,698
Net Assets at End of Year	<u>\$ 1,545,041</u>	<u>\$ 100,000</u>	<u>\$ 1,645,041</u>

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION

Statement of Activities

For the Year Ended December 31, 2014

	Unrestricted	Board Designated	Total
Revenues, Gains, and Other Support:			
Donations, gifts and grants	\$ 2,551,055	\$ -	\$ 2,551,055
Bottle redemptions	28,384	-	28,384
Special events	175,083	-	175,083
Thrift shop sales	128,094	-	128,094
Other income	958	-	958
Investment income	3,758	-	3,758
Sale of gift certificates	4,722	-	4,722
Total Revenues, Gains, and Other Support	2,892,054	-	2,892,054
Expenses:			
Program	2,567,079	-	2,567,079
Management and general	176,193	-	176,193
Fund-raising	55,255	-	55,255
Total Expenses	2,798,527	-	2,798,527
Increase (Decrease) in Net Assets	93,527	-	93,527
Net Assets at Beginning of Year	1,399,171	100,000	1,499,171
Net Assets at End of Year	\$ 1,492,698	\$ 100,000	\$ 1,592,698

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION

Statement of Functional Expenses

For the Year Ended December 31, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses:				
Food costs	\$ 2,518,313	\$ -	\$ -	\$ 2,518,313
Salaries and wages	56,981	57,807	65,270	180,058
Payroll taxes	4,820	4,890	5,522	15,232
Contract labor	6,250	-	-	6,250
Advertising	1,020	-	3,061	4,081
Transportation	4,128	-	-	4,128
Rent	14,150	-	-	14,150
Utilities	35,263	3,066	-	38,329
Office and postage	13,308	18,195	1,524	33,027
Repairs and maintenance	18,497	1,609	-	20,106
Insurance	13,929	930	-	14,859
Interest expense	-	9,932	-	9,932
Professional fees	-	9,815	-	9,815
Fund-raising	-	-	75,259	75,259
Garden expenses	8,464	-	-	8,464
Other general expenses	48,071	15,344	-	63,415
Depreciation	60,045	5,221	-	65,266
Totals	<u>\$ 2,803,239</u>	<u>\$ 126,809</u>	<u>\$ 150,636</u>	<u>\$ 3,080,684</u>

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program	Management and General	Fund Raising	Total
Expenses:				
Food costs	\$ 2,289,226	\$ -	\$ -	\$ 2,289,226
Salaries and wages	41,284	41,284	46,445	129,013
Payroll taxes	3,513	3,513	3,952	10,977
Contract labor	12,907	-	-	12,907
Advertising	1,190	-	3,569	4,758
Transportation	4,876	-	-	4,876
Rent	18,400	-	-	18,400
Utilities	28,599	2,487	-	31,086
Office and postage	11,010	15,138	1,376	27,524
Repairs and maintenance	19,077	1,659	-	20,736
Insurance	17,069	1,090	-	18,159
Interest expense	-	831	-	831
Professional fees	-	1,600	-	1,600
Fund-raising	-	-	55,255	55,255
Garden expenses	2,866	-	-	2,866
Other general expenses	80,539	34,567	-	115,106
Depreciation	50,790	4,417	-	55,207
Totals	<u>\$ 2,581,346</u>	<u>\$ 106,585</u>	<u>\$ 110,596</u>	<u>\$ 2,798,527</u>

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 52,343	\$ 93,527
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	65,266	55,207
Loss on disposition of asset	3,774	-
(Increase) decrease in:		
Inventory	9,820	23,333
Accounts receivable	1,250	2,108
Other assets	(10,831)	(15,279)
Increase (decrease) in:		
Accounts payable and other liabilities	3,715	(1,515)
Net Cash Provided by (Used by) Operating Activities	<u>125,337</u>	<u>157,381</u>
Cash Flows from Investing Activities:		
Purchase of building and improvements	(312,288)	(467,941)
Purchase of equipment and other assets	(20,734)	-
Net Cash Provided by (Used by) Investing Activities	<u>(333,022)</u>	<u>(467,941)</u>
Cash Flows from Financing Activities:		
Proceeds from loan	-	250,000
Principal payments	(8,324)	(690)
Net Cash Provided by (Used by) Financing Activities	<u>(8,324)</u>	<u>249,310</u>
Net Increase (Decrease) in Cash	(216,009)	(61,250)
Cash and Cash Equivalents at Beginning of Year	<u>536,201</u>	<u>597,451</u>
Cash and Cash Equivalents at End of Year	<u>\$ 320,192</u>	<u>\$ 536,201</u>
Supplemental information:		
Cash expended for interest	<u>\$ 9,932</u>	<u>\$ 831</u>

The accompanying notes are an integral part of these financial statements.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes To Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Family Pantry of Cape Cod Corporation (the "Family Pantry") was established in 1990 for the purpose of acquiring and distributing food to the poor and needy. Its principal activity is the collection, storage and re-distribution of food, furniture and clothing. Revenues are derived primarily from public and private donations, grants and thrift shop sales.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The net assets of the Family Pantry Corporation are reported in each of the following classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net assets of the two restricted classes are created only by donor imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class.

Tax Exempt Status

The Family Pantry is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Return of Organization Exempt From Income Tax returns Form 990 for 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Gifts and Contributions

Gifts and contributions are recorded when received. The Family Pantry sells gift certificates to the public redeemable at face value from local grocery stores. In return, it receives a discount which ranges from 3% to 5% on its purchase of the certificates. The gift certificate program was discontinued in 2014.

The Family Pantry 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers cash on hand, checking and money market accounts as cash and cash equivalents for financial statement purposes.

Equipment

Fixed assets are stated at cost except for donated assets which are recorded at fair market value at the date of donation. Assets valued at less than \$1,000 are expensed to operations by the Organization.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes To Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Depreciation

Depreciation is computed using the straight line method over the estimated useful lives of the assets as follows:

Equipment and furniture	3-7 Years
Land improvements	15 Years
Buildings and improvements	30 Years

Depreciation expense for the years ended December 31, 2015 and 2014 was \$65,266 and \$55,207, respectively.

Inventories

Inventories are stated at the lower of cost or market. Estimated food donations in the ending inventory are excluded from the inventory valuation. The Organization also receives a variety of non-cash donations for its thrift shop and warehouse operations for which the value cannot be reasonably estimated. No inventory valuation is assigned to these non-cash donations.

Advertising

The Family Pantry Corporation follows the policy of charging the costs of advertising to expense as incurred. Advertising costs for the years ended December 31, 2015 and 2014 totaled \$3,904 and \$4,758, respectively.

Compensated Absences

Accrued compensated absences for the years ended December 31, 2015 and 2014 were \$3,959 and \$3,504, respectively.

Reclassification

The 2014 financial statements have been restated to conform to the 2015 financial statement presentation.

NOTE B - DONATED FOOD:

In addition to receiving food donations from the general public, the Organization also receives food from the USDA and the Massachusetts Emergency Food Assistance Program. Food donations were valued at \$1.70 and \$1.69 per pound for revenue and expense purposes for the years ended December 31, 2015 and 2014, respectively. The Boston Food Bank also provides salvage food to the Organization at a cost of nineteen cents a pound, which covers the Food Bank's handling fees and transportation costs. Total food donations were \$2,149,641 and \$1,874,302 for the years ended December 31, 2015 and 2014, respectively.

NOTE C - DONATED SERVICES, MATERIALS AND FACILITIES:

No amounts have been reflected in the financial statements for donated services in as much as there is no objective basis to measure the value of such donations. However, a number of volunteers have donated substantial amounts of their time to the Family Pantry's program services. In-kind donations reflected in the financial statements (excluding food donations) totaled \$22,525 and \$69,402, for the years ended December 31, 2015 and 2014, respectively.

THE FAMILY PANTRY OF CAPE COD CORPORATION

Notes To Financial Statements

For the Years Ended December 31, 2015 and 2014

NOTE D - LEASES AND LICENSES:

In May, 2011 the Organization began leasing commercial space at 563 Main Street in Harwich Port for its Second Glance thrift shop. The term of the lease is for three (3) years and the base rent is \$1,500 per month, payable in advance on the first day of the month. The lessee is responsible for all utilities. The Organization pays \$1,250 per month to the lessor and the balance is credited as a charitable contribution from Joseph Carter, Jr. On May 1, 2014 the Organization extended its lease at a rate of \$1,600 per month under the same terms and conditions of the original lease. The lease was terminated in November, 2015. Rent expense for the years ended December 31, 2015 and 2014, was \$14,150 and \$18,400, respectively.

Lease and Power Purchase Agreement

In 2011, The Family Pantry of Cape Cod Corporation entered into a lease and power purchase agreement. The Organization leased the roof of its facility to Unutility Electric MMXI, LLC for a period of twenty (20) years, with an option to extend the initial term for two additional, consecutive periods of five (5) years each. The lessee, also the owner of a photovoltaic electricity generating facility (PV System) was allowed to install its PV System on the roof of the building. The rent for the entirety of the lease was one dollar (\$1). The Family Pantry of Cape Cod Corporation has an option to purchase all of the owner's rights, title and interest in the PV System.

As part of the agreement, the Organization agrees to purchase all electricity generated by the PV System at a price equal to seventy two percent (72%) of the local distribution company's retail rate. Any excess electricity generated by the PV System is transmitted into the local distribution system on behalf of the Organization and the Organization is entitled to any net metering credits issued by the local distribution company.

Town of Harwich License Agreement

The Town of Harwich and The Family Pantry of Cape Cod Corporation entered into a license agreement in 2011, whereby, the Town of Harwich licensed a tract of land to the Organization to operate its vegetable garden. The term of the license agreement is for five (5) years with an automatic renewal for an additional five (5) years. There is no user fee charged to the Organization for the duration of the license agreement.

NOTE E - DEBT NOTES:

The Organization also has a revolving note with Cape Cod Five Cents Savings Bank that has a maximum borrowing limit of \$50,000. The note is secured by a secured lien on all business assets and any additional collateral granted to the bank. The aggregate principal balance outstanding bears interest at a rate of 1.50% above the Wall Street Journal prime rate. As of December 31, 2015 and 2014, the outstanding balance was \$0 and \$0, respectively. Interest expense charged to operations for the years ended December 31, 2015 and 2014 was \$0 and \$0, respectively.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes To Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE E - DEBT NOTES (Continued):

The Organization also has a revolving line of credit with TD Bank that has a maximum borrowing limit of \$50,000. As part of the conditions precedent to each advance, the Organization is required to provide a security agreement to the lender granting security interest in the collateral. The aggregate principal balance outstanding bears interest at a rate of one (1.00%) above the Wall Street Journal prime rate, adjusted by any minimum or maximum rate limitations. Lender is also entitled to collect an annual fee of two hundred and fifty dollars (\$250) to cover costs incurred by the lender to service and administer the credit facility. As of December 31, 2015 and 2014, the outstanding balance was \$0 and \$0, respectively. Interest expense charged to operations for the years ended December 31, 2015 and 2014 was \$0 and \$0, respectively.

In November 2014, the Organization obtained a \$250,000, thirty year mortgage from Cape Cod Five Cents Savings Bank. The note is secured by the real property located at 265 Route 28, West Harwich, MA and bears a variable interest rate of 2.50% above the Wall Street Journal prime rate. As of December 31, 2015 and 2014, the outstanding balance was \$240,986 and \$249,310, respectively. Interest expense charged to operations for the years ended December 31, 2015 and 2014 totaled \$9,932 and \$831, respectively.

The future minimum principal payments are as follows:

<u>December, 31</u>		
2016	\$	8,776
2017		9,134
2018		9,506
2019		9,893
2020		10,296
Thereafter		<u>193,381</u>
	<u>\$</u>	<u>240,986</u>

NOTE F - CONCENTRATIONS OF CREDIT RISK:

The Corporation's cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Cash balances in excess of the FDIC limit at Cape Cod Five Cents Savings Bank are insured in full by the Depositors Insurance Fund (DIF). The DIF is a private, industry-sponsored insurance fund that insures all deposits above FDIC limits at Massachusetts-chartered savings banks. All DIF member banks are also members of the FDIC. The cash balances in excess of FDIC limits for the years ended December 31, 2015 and 2014, were \$0 and \$159,959, respectively. The Corporation's uninsured cash balances at December 31, 2015 and 2014 totaled \$0 and \$0, respectively.

NOTE G - TEMPORARILY AND UNRESTRICTED NET ASSETS:

As of December 31, 2015 and 2014, the Corporation reported temporarily restricted net assets of \$0 and \$0, respectively.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes To Financial Statements
For the Years Ended December 31, 2015 and 2014

NOTE H - BOARD DESIGNATED NET ASSETS:

Total Board designated net assets for the years ended December 31, 2015 and 2014 totaled \$100,000 and \$100,000, respectively. These net assets are designated for capital improvements and the acquisition of capital assets.

NOTE I - EVALUATION OF SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through June 27, 2016, the date which the financial statements were available to be issued. As of June 27, 2016, there are no subsequent events to report.