

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

**FINANCIAL STATEMENTS**

For the Years Ended December 31, 2016 and 2015

# THE FAMILY PANTRY OF CAPE COD CORPORATION

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December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Family Pantry of Cape Cod

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, 2016 and 2015, 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 present fairly, in all material respects, the financial position of the Family Pantry of Cape Cod Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sanders, Walsh & Eaton, LLP*

Osterville, Massachusetts  
February 24, 2017

**THE FAMILY PANTRY OF CAPE COD CORPORATION**  
**Statements of Financial Position**  
December 31, 2016 and 2015

	<b>ASSETS</b>	
	2016	2015
<b>Current Assets:</b>		
Cash	\$ 669,842	\$ 320,192
Food inventory, at cost	19,642	14,491
Grants receivable	3,563	4,000
Prepaid expenses	44,005	43,109
Total Current Assets	737,052	381,792
<b>Fixed Assets:</b>		
Automobiles	64,464	36,095
Furniture and fixtures	31,594	22,139
Machinery and equipment	79,641	70,658
Land and improvements	369,001	369,001
Buildings and improvements	1,542,187	1,529,014
Other	21,801	21,801
	2,108,688	2,048,708
Less accumulated depreciation	(605,360)	(525,533)
Total Fixed Assets	1,503,328	1,523,175
<b>Total Assets</b>	\$ 2,240,380	\$ 1,904,967
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 25,147	\$ 18,940
Notes payable - current portion	9,128	8,776
Total Current Liabilities	34,275	27,716
<b>Long-term Liabilities:</b>		
Notes payable - less current portion	223,219	232,210
Total Long-term Liabilities	223,219	232,210
Total Liabilities	257,494	259,926
<b>Net Assets:</b>		
Unrestricted	1,882,886	1,545,041
Board designated	100,000	100,000
Total Net Assets	1,982,886	1,645,041
<b>Total Liabilities and Net Assets</b>	\$ 2,240,380	\$ 1,904,967

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, 2016

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Donations, gifts and grants	\$ 3,045,756	\$ -	\$ 3,045,756
Bottle redemptions	27,795	-	27,795
Special events	202,310	-	202,310
Thrift shop sales	265,413	-	265,413
Other income	631	-	631
Investment income	2,318	-	2,318
Total Revenues, Gains, and Other Support	<u>3,544,223</u>	<u>-</u>	<u>3,544,223</u>
Expenses:			
Program	2,797,205	-	2,797,205
Management and general	192,074	-	192,074
Fund-raising	217,099	-	217,099
Total Expenses	<u>3,206,378</u>	<u>-</u>	<u>3,206,378</u>
Increase (Decrease) in Net Assets	337,845	-	337,845
Net Assets, Beginning of Year	1,545,041	100,000	1,645,041
Net Assets, End of Year	<u>\$ 1,882,886</u>	<u>\$ 100,000</u>	<u>\$ 1,982,886</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, 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, Beginning of Year	1,492,698	100,000	1,592,698
Net Assets, 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 Functional Expenses

For the Year Ended December 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Expenses:				
Food costs	\$ 2,495,123	\$ -	\$ -	\$ 2,495,123
Salaries and wages	78,129	78,129	95,772	252,030
Payroll taxes	6,388	6,388	7,831	20,607
Employee benefits	-	3,150	-	3,150
Contract labor	8,179	-	-	8,179
Advertising	648	-	1,945	2,593
Transportation	5,369	-	-	5,369
Utilities	31,063	2,701	-	33,764
Office and postage	17,631	2,391	4,735	24,757
Repairs and maintenance	35,648	3,100	-	38,748
Insurance	18,292	952	-	19,244
Interest expense	-	9,617	-	9,617
Professional fees	-	5,512	35,665	41,177
Fund-raising	-	-	71,151	71,151
Garden expenses	3,948	-	-	3,948
Other general expenses	23,303	73,791	-	97,094
Depreciation	73,484	6,343	-	79,827
Totals	<u>\$ 2,797,205</u>	<u>\$ 192,074</u>	<u>\$ 217,099</u>	<u>\$ 3,206,378</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, 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**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase in net assets	\$ 337,845	\$ 52,343
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	79,827	65,266
Loss on disposition of asset	-	3,774
Donated fixed assets	(6,300)	-
(Increase) decrease in operating assets:		
Inventory	(5,151)	9,820
Accounts receivable	437	1,250
Prepaid expenses	(896)	(10,831)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	6,207	3,715
Net Cash Provided by (Used by) Operating Activities	411,969	125,337
 Cash Flows from Investing Activities:		
Purchase of building and improvements	(13,173)	(312,288)
Purchase of equipment and other assets	(40,507)	(20,734)
Net Cash Provided by (Used by) Investing Activities	(53,680)	(333,022)
 Cash Flows from Financing Activities:		
Principal payments	(8,639)	(8,324)
Net Cash Provided by (Used by) Financing Activities	(8,639)	(8,324)
 Net Increase (Decrease) in Cash	349,650	(216,009)
 Cash and Cash Equivalents, Beginning of Year	320,192	536,201
 Cash and Cash Equivalents, End of Year	\$ 669,842	\$ 320,192
 Supplemental information:		
Cash expended for interest	\$ 9,617	\$ 9,932

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, 2016 and 2015

**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. Section 501(c)(3) of the Code provides for the exemption of organizations that are organized and operated exclusively for religious, charitable, scientific, literary or educational purposes and whose net earnings do not inure to the benefit of any private shareholder or individual. The Organization is not a private foundation as defined by Section 509(a).

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.

Revenue Recognition

Revenue is recognized as goods and services are rendered. All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. 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 generally expensed to operations by the Organization.

**THE FAMILY PANTRY OF CAPE COD CORPORATION**  
Notes to Financial Statements  
For the Years Ended December 31, 2016 and 2015

**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, 2016 and 2015 was \$79,827 and \$65,266, 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, 2016 and 2015 totaled \$2,593 and \$3,904, respectively.

Compensated Absences

Accrued compensated absences for the years ended December 31, 2016 and 2015 were \$5,925 and \$3,959, respectively.

Reclassification

The 2015 financial statements have been restated to conform to the 2016 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 \$1.67 and \$1.69 per pound for revenue and expense purposes for the years ended December 31, 2016 and 2015, 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 \$2,219,602 and \$2,149,641 for the years ended December 31, 2016 and 2015, 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 \$28,100 and \$22,525, for the years ended December 31, 2016 and 2015, respectively.

**THE FAMILY PANTRY OF CAPE COD CORPORATION**  
Notes to Financial Statements  
For the Years Ended December 31, 2016 and 2015

**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, 2016 and 2015, was \$0 and \$14,150, 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 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, 2016 and 2015, the outstanding balance was \$0 and \$0, respectively. Interest expense charged to operations for the years ended December 31, 2016 and 2015 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, 2016 and 2015, the outstanding balance was \$232,347 and \$240,986, respectively. Interest expense charged to operations for the years ended December 31, 2016 and 2015 totaled \$9,617 and \$9,932, respectively.

**THE FAMILY PANTRY OF CAPE COD CORPORATION**  
**Notes to Financial Statements**  
For the Years Ended December 31, 2016 and 2015

**NOTE E – DEBT NOTES (continued):**

The future minimum principal payments are as follows:

<u>December, 31</u>	
2017	\$ 9,128
2018	9,500
2019	9,887
2020	10,290
2021	10,709
Thereafter	<u>182,833</u>
	<u>\$ 232,347</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, 2016 and 2015, were \$303,011 and \$0, respectively. The Corporation's uninsured cash balances at December 31, 2016 and 2015 totaled \$0 and \$0, respectively.

**NOTE G – TEMPORARILY AND UNRESTRICTED NET ASSETS**

As of December 31, 2016 and 2015, the Corporation reported temporarily restricted net assets of \$0 and \$0, respectively.

**NOTE H – BOARD DESIGNATED NET ASSETS:**

Total Board designated net assets for the years ended December 31, 2016 and 2015 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 February 24, 2017, the date which the financial statements were available to be issued. As of February 24, 2017, there are no subsequent events to report.