

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

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016

THE FAMILY PANTRY OF CAPE COD CORPORATION

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December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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, LLC

Osterville, Massachusetts
April 26, 2018

THE FAMILY PANTRY OF CAPE COD CORPORATION
Statements of Financial Position
December 31, 2017 and 2016

	ASSETS	
	2017	2016
Current Assets:		
Cash	\$ 1,223,591	\$ 669,842
Investments	25,118	-
Food inventory, at cost	18,190	19,642
Grants receivable	3,875	3,563
Prepaid expenses	37,121	44,005
Total Current Assets	1,307,895	737,052
Fixed Assets:		
Automobiles	64,464	64,464
Furniture and fixtures	36,002	31,594
Machinery and equipment	109,876	79,641
Land and improvements	372,201	369,001
Buildings and improvements	1,567,663	1,542,187
Other	21,801	21,801
	2,172,007	2,108,688
Less accumulated depreciation	(691,574)	(605,360)
Total Fixed Assets	1,480,433	1,503,328
Total Assets	\$ 2,788,328	\$ 2,240,380
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 46,140	\$ 25,147
Notes payable - current portion	13,712	9,128
Total Current Liabilities	59,852	34,275
Long-term Liabilities:		
Notes payable - less current portion	106,112	223,219
Total Long-term Liabilities	106,112	223,219
Total Liabilities	165,964	257,494
Net Assets:		
Unrestricted	2,522,364	1,882,886
Board designated	100,000	100,000
Total Net Assets	2,622,364	1,982,886
Total Liabilities and Net Assets	\$ 2,788,328	\$ 2,240,380

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, 2017

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Donations and gifts	\$ 2,481,552	\$ -	\$ 2,481,552
Grants	274,437	-	274,437
Bottle redemptions	29,293	-	29,293
Special events	200,143	-	200,143
Thrift shop sales	310,286	-	310,286
Other income	1,368	-	1,368
Investment income	2,832	-	2,832
Total Revenues, Gains, and Other Support	<u>3,299,911</u>	<u>-</u>	<u>3,299,911</u>
Expenses:			
Program	2,272,826	-	2,272,826
Management and general	184,111	-	184,111
Fund-raising	203,496	-	203,496
Total Expenses	<u>2,660,433</u>	<u>-</u>	<u>2,660,433</u>
Increase (Decrease) in Net Assets	639,478	-	639,478
Net Assets, Beginning of Year	1,882,886	100,000	1,982,886
Net Assets, End of Year	<u>\$ 2,522,364</u>	<u>\$ 100,000</u>	<u>\$ 2,622,364</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, 2016

	Unrestricted	Board Designated	Total
Revenues, Gains, and Other Support:			
Donations and gifts	\$ 2,876,033	\$ -	\$ 2,876,033
Grants	169,723	-	169,723
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	3,544,223	-	3,544,223
Expenses:			
Program	2,797,205	-	2,797,205
Management and general	192,074	-	192,074
Fund-raising	217,099	-	217,099
Total Expenses	3,206,378	-	3,206,378
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	\$ 1,882,886	\$ 100,000	\$ 1,982,886

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, 2017

	Program	Management and General	Fund Raising	Total
Expenses:				
Food costs	\$ 1,955,044	\$ -	\$ -	\$ 1,955,044
Salaries and wages	88,729	88,729	108,765	286,223
Payroll taxes	7,589	7,589	9,302	24,480
Employee benefits	-	3,806	-	3,806
Contract labor	17,160	-	-	17,160
Advertising	-	519	3,133	3,652
Transportation	9,533	-	-	9,533
Utilities	27,294	2,373	-	29,667
Office and postage	8,036	2,151	1,132	11,319
Repairs and maintenance	41,453	3,605	-	45,058
Insurance	17,813	961	-	18,774
Interest expense	-	5,733	-	5,733
Professional fees	-	8,984	2,800	11,784
Fund-raising	-	-	78,364	78,364
Garden expenses	4,195	-	-	4,195
Other general expenses	16,662	52,765	-	69,427
Depreciation	79,317	6,897	-	86,214
Totals	<u>\$ 2,272,826</u>	<u>\$ 184,111</u>	<u>\$ 203,496</u>	<u>\$ 2,660,433</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
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities:		
Increase in net assets	\$ 639,478	\$ 337,845
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	86,214	79,827
Unrealized (gain) loss on securities	(34)	-
Donated fixed assets	-	(6,300)
(Increase) decrease in operating assets:		
Inventory	1,452	(5,151)
Accounts receivable	(312)	437
Prepaid expenses	6,884	(896)
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	20,993	6,207
Net Cash Provided by (Used by) Operating Activities	754,675	411,969
Cash Flows from Investing Activities:		
Purchase of securities	(25,084)	-
Purchase of building and improvements	(28,676)	(13,173)
Purchase of equipment and other assets	(34,643)	(40,507)
Net Cash Provided by (Used by) Investing Activities	(88,403)	(53,680)
Cash Flows from Financing Activities:		
Principal payments	(112,523)	(8,639)
Net Cash Provided by (Used by) Financing Activities	(112,523)	(8,639)
Net Increase (Decrease) in Cash	553,749	349,650
Cash and Cash Equivalents, Beginning of Year	669,842	320,192
Cash and Cash Equivalents, End of Year	\$ 1,223,591	\$ 669,842
Supplemental information:		
Cash expended for interest	\$ 5,733	\$ 9,617

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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016 was \$86,214 and \$79,827, 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, 2017 and 2016 totaled \$3,652 and \$2,593, respectively.

Compensated Absences

Accrued compensated absences for the years ended December 31, 2017 and 2016 were \$6,979 and \$5,925, respectively.

Reclassification

The 2016 financial statements have been restated to conform to the 2017 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 \$1.67 per pound for revenue and expense purposes for the years ended December 31, 2017 and 2016, 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 \$1,692,460 and \$2,219,602 for the years ended December 31, 2017 and 2016, 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 \$0 and \$28,100, for the years ended December 31, 2017 and 2016, respectively.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE D – LICENSES:

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, 2017 and 2016, the outstanding balance was \$0 and \$0, respectively. Interest expense charged to operations for the years ended December 31, 2017 and 2016 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, 2017 and 2016, the outstanding balance was \$119,824 and \$232,347, respectively. Interest expense charged to operations for the years ended December 31, 2017 and 2016 totaled \$5,733 and \$9,617, respectively.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE E – DEBT NOTES (continued):

The future minimum principal payments are as follows:

<u>December, 31</u>		
2018	\$	13,712
2019		14,271
2020		14,852
2021		15,458
2022		16,087
Thereafter		<u>45,444</u>
	<u>\$</u>	<u>119,824</u>

NOTE F – INVESTMENTS:

Investments for the years ended December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 659	\$ 0
Mutual funds	<u>24,459</u>	<u>0</u>
Total investments	<u>\$ 25,118</u>	<u>\$ 0</u>

Investment income for the years ended December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest	\$ 2,714	\$ 0
Dividends	84	0
Realized gains (losses)	0	0
Unrealized gains (losses)	<u>34</u>	<u>0</u>
Total investment income	<u>\$ 2,832</u>	<u>\$ 0</u>

NOTE G – FAIR VALUE MEASUREMENT:

Fair values have been determined at a specific point in time based on relevant market information and information about the financial instruments. Estimates of fair value are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE G – FAIR VALUE MEASUREMENT (continued):

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 Inputs - Quoted prices for identical assets or liabilities in active markets;

Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;

Level 3 Inputs - Unobservable inputs for where there is little, if any, market activity.

Fair values of noncurrent assets at June 30, 2017 are as follows:

Asset Category	Carrying Value on Statement of Financial Position	FAS 107 Estimated Fair Value	Quoted Mkt Assets and Liabilities Measured at Fair Value	Significant Identical Assets Level 1 Inputs	Other Significant Observable Level 2 Inputs	Significant Unobservable Level 3 Inputs
Investments						
Cash and equivalents	\$ 659	\$ 659	\$ 659	\$ 659		
Mutual funds	24,459	24,459	24,459	24,459		

NOTE H – 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, 2017 and 2016, were \$799,700 and \$303,011, respectively. The Corporation's uninsured cash balances at December 31, 2017 and 2016 totaled \$0 and \$0, respectively.

NOTE I – TEMPORARILY AND UNRESTRICTED NET ASSETS

As of December 31, 2017 and 2016, the Corporation reported temporarily restricted net assets of \$0 and \$0, respectively.

NOTE J – BOARD DESIGNATED NET ASSETS:

Total Board designated net assets for the years ended December 31, 2017 and 2016 totaled \$100,000 and \$100,000, respectively. These net assets are designated for capital improvements and the acquisition of capital assets.

THE FAMILY PANTRY OF CAPE COD CORPORATION
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE K – EVALUATION OF SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through April 26, 2018, the date which the financial statements were available to be issued. The Organization paid off the outstanding balance of its long-term debt in January, 2018. The payoff reduced the Organization's cash and debt by approximately \$119,824. As of February 24, 2018, there are no other subsequent events to report.

S, W & E, LLP

Audit Summary & Financial Highlights

The Family Pantry of Cape Cod, Corp.

12/31/2017

Financial Information (in thousands)

	<u>Current Financial Year</u>	<u>Prior Financial Year</u>	<u>Increase (Decrease)</u>	<u>%</u>
Operations:				
Excess of Revenues/(Expenses)	640	338	302	89.35%
Revenues	3,300	3,544	(244)	-6.88%
Expenses	2,660	3,206	(546)	-17.03%
Position:				
Total Assets	2,788	2,240	548	24.46%
Total Liabilities	166	257	(91)	-35.41%
Net Assets	2,622	1,983	639	32.22%

Audit Findings

Clean opinion

Audit Status

Audit complete

Financial statements prepared

Tax returns prepared

Management Discussion Points:

Segregation of duties

Numerous audit adjustments

Valuation of Greater Boston Food Bank in-kind donation