

**THE OPEN DOOR/  
CAPE ANN FOOD PANTRY, INC.**  
Financial Statements  
For the Years Ended  
December 31, 2008 and 2007

horvitz & frisch, p.c.  
CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of The Open Door/Cape Ann Food Pantry, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable, not absolute, assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, effective January 1, 2007, the Organization adopted the policy of preparing its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Prior to this, the Organization prepared its financial statements on the modified cash basis.

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. at December 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

  
HORVITZ & FRISCH, P.C.

September 21, 2009

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statements of Financial Position

December 31, 2008 and 2007

ASSETS

	<u>2008</u>		<u>2007</u>
Current Assets:			
Cash and Cash Equivalents	\$ 215,023	\$	166,688
Promises to Give	5,000		4,000
Prepaid Expenses	7,872		-
Total Current Assets	<u>227,895</u>		<u>170,688</u>
Property and Equipment, Net of Accumulated Depreciation	<u>29,606</u>		<u>20,552</u>
Other Assets:			
Certificates of Deposit	270,909		260,055
Investments	5,028		7,984
Total Other Assets	<u>275,937</u>		<u>268,039</u>
Total Assets	<u>\$ 533,438</u>	\$	<u>459,279</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 13,338	\$	12,412
Accrued Payroll and Payroll Taxes	10,661		6,203
Accrued Vacation	2,613		2,474
Total Current Liabilities	<u>26,612</u>		<u>21,089</u>
Net Assets:			
Unrestricted:			
Operating	331,826		258,870
Board Designated	175,000		175,000
Total Unrestricted	<u>506,826</u>		<u>433,870</u>
Temporarily Restricted	<u>-</u>		<u>4,320</u>
Total Net Assets	<u>506,826</u>		<u>438,190</u>
Total Liabilities and Net Assets	<u>\$ 533,438</u>	\$	<u>459,279</u>

See Accountants' Audit Report and Accompanying Notes to Financial Statement

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statement of Activities

For the Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 91,586	\$ -	\$ 91,586
In-kind Food Donations	726,418	-	726,418
Public Grants	43,935	-	43,935
Private Foundations	128,688	-	128,688
Fundraising	131,258	-	131,258
Thrift Shop	360,829	-	360,829
Food Service	5,670	-	5,670
Interest Income	11,298	-	11,298
Investment Return	(2,956)	-	(2,956)
Net assets released from restrictions:			
Satisfaction of Performance	4,320	(4,320)	-
Total Revenues	<u>1,501,046</u>	<u>(4,320)</u>	<u>1,496,726</u>
Expenses:			
Program	1,324,845	-	1,324,845
Management and General	95,112	-	95,112
Fundraising	8,133	-	8,133
Total Expenses	<u>1,428,090</u>	<u>-</u>	<u>1,428,090</u>
Change in Net Assets	72,956	(4,320)	68,636
Net Assets, Beginning of Year	<u>433,870</u>	<u>4,320</u>	<u>438,190</u>
Net Assets, End of Year	<u>\$ 506,826</u>	<u>\$ -</u>	<u>\$ 506,826</u>

See Accountants' Audit Report and Accompanying Notes to Financial Statement

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statement of Activities

For the Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 64,255	\$ -	\$ 64,255
In-kind Food Donations	898,423	-	898,423
Public Grants	29,087	-	29,087
Private Foundations	100,819	-	100,819
Fundraising	109,028	-	109,028
Thrift Shop	321,305	-	321,305
Food Service	5,164	-	5,164
Interest Income	10,317	-	10,317
Investment Return	405	-	405
Net assets released from restrictions:			
Satisfaction of Performance	27,182	(27,182)	-
Total Revenues	<u>1,565,985</u>	<u>(27,182)</u>	<u>1,538,803</u>
Expenses:			
Program	1,437,049	-	1,437,049
Management and General	82,270	-	82,270
Fundraising	8,719	-	8,719
Total Expenses	<u>1,528,038</u>	<u>-</u>	<u>1,528,038</u>
Change in Net Assets	37,947	(27,182)	10,765
Net Assets, Beginning of Year	<u>395,923</u>	<u>31,502</u>	<u>427,425</u>
Net Assets, End of Year	<u>\$ 433,870</u>	<u>\$ 4,320</u>	<u>\$ 438,190</u>

See Accountants' Audit Report and Accompanying Notes to Financial Statement

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2008

	Program			Total	Management and General	Fundraising Expenses	Total
	Food and Meals	Thrift Shop	Total				
Salaries and Wages	\$ 138,607	\$ 127,058	\$ 265,665	\$ 47,731	\$ 2,351	\$ 315,747	
Payroll Taxes	13,118	12,024	25,142	4,518	222	29,882	
Employee Benefits	8,506	1,854	10,360	6,954	464	17,778	
Food Purchase	100,908	-	100,908	-	-	100,908	
In-kind Food Donations	726,418	-	726,418	-	-	726,418	
Transportation	16,754	18	16,772	-	-	16,772	
Small Equipment							
Purchases	1,383	5,261	6,644	-	-	6,644	
Occupancy	58,918	62,005	120,923	5,788	-	126,711	
Employment Expenses	-	-	-	8,729	-	8,729	
Accounting	-	-	-	8,435	-	8,435	
Consultants	-	-	-	500	-	500	
Advertising	-	-	-	-	500	500	
Insurance	-	-	-	5,356	-	5,356	
Postage and Delivery	-	49	49	3,174	874	4,097	
Supplies	9,924	6,579	16,503	-	815	17,318	
Printing and Publications	4,134	308	4,442	-	2,907	7,349	
Bank Service Charges	29	5,179	5,208	-	-	5,208	
Outside Services	1,056	1,189	2,245	-	-	2,245	
Office Expenses	1,177	1,177	2,854	3,927	-	6,781	
Outreach	9,109	-	9,109	-	-	9,109	
Depreciation	6,569	5,034	11,603	-	-	11,603	
<b>Total</b>	<b>\$ 1,097,110</b>	<b>\$ 227,735</b>	<b>\$ 1,324,845</b>	<b>\$ 95,112</b>	<b>\$ 8,133</b>	<b>\$ 1,428,090</b>	

See Accountants' Audit Report and Accompanying Notes to Financial Statement

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2007

	Program			Management and General	Fundraising Expenses	Total
	Food and Meals	Thrift Shop	Total			
Salaries and Wages	\$ 126,648	\$ 108,737	\$ 235,385	\$ 40,165	\$ 2,227	\$ 277,777
Payroll Taxes	12,956	11,123	24,079	4,109	228	28,416
Employee Benefits	3,661	3,143	6,804	5,578	372	12,754
Food Purchase	71,646	-	71,646	-	-	71,646
In-kind Food Donations	898,423	-	898,423	-	-	898,423
Transportation	18,297	95	18,392	-	-	18,392
Small Equipment						
Purchases	19,237	3,983	23,220	-	-	23,220
Occupancy	52,093	61,650	113,743	5,788	-	119,531
Employment Expenses	-	-	-	4,496	-	4,496
Accounting	-	-	-	6,630	-	6,630
Consultants	-	-	-	2,875	-	2,875
Advertising	-	-	-	-	460	460
Insurance	-	-	-	5,367	-	5,367
Postage and Delivery	-	-	-	2,698	1,410	4,108
Supplies	8,213	5,167	13,380	-	2,491	15,871
Printing and Publications	2,596	-	2,596	-	1,531	4,127
Bank Service Charges	1,600	4,142	5,742	-	-	5,742
Outside Services	1,251	1,176	2,427	-	-	2,427
Office Expenses	-	543	543	4,564	-	5,107
Outreach	5,252	3,000	8,252	-	-	8,252
Depreciation	7,765	4,652	12,417	-	-	12,417
<b>Total</b>	<b>\$ 1,229,638</b>	<b>\$ 207,411</b>	<b>\$ 1,437,049</b>	<b>\$ 82,270</b>	<b>\$ 8,719</b>	<b>\$ 1,528,038</b>

See Accountants' Audit Report and Accompanying Notes to Financial Statement

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 68,636	\$ 10,765
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,603	12,417
Investment Return	2,956	(405)
Certificate of Deposit Interest	(10,854)	(9,896)
(Increase) Decrease in:	(1,000)	
Accounts Receivable	5,523	6,952
Prepaid Expenses	(7,872)	
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	5,523	8,437
Net Cash Provided by Operating Activities	<u>68,992</u>	<u>28,270</u>
Cash Flows from Investing Activities:		
Purchase of Equipment	(20,657)	(6,322)
Purchase of Certificate of Deposit	-	(75,000)
Net Cash (Used) by Investing Activities	<u>(20,657)</u>	<u>(81,322)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	48,335	(53,052)
Cash and Cash Equivalents, Beginning of Year	<u>166,688</u>	<u>219,740</u>
Cash and Cash Equivalents, End of Year	<u>\$ 215,023</u>	<u>\$ 166,688</u>

See Accountants' Audit Report and Accompanying Notes to Financial Statement



# THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.

## Notes to Financial Statements

For the Years Ended December 31, 2008 and 2007

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

#### Operations and Nonprofit Status

The Open Door/Cape Ann Food Pantry, Inc. (the Organization) is a non-profit, community supported, charitable organization committed to alleviating hunger in the communities on Cape Ann, Massachusetts. It accomplishes its mission by providing free meals and food in a hospitable environment, providing advocacy on behalf of the disadvantaged whenever possible, providing job skills training and job placement and promoting volunteerism and community service.

The Organization also operates a thrift shop, which resells donated clothing and goods to help support the food programs.

#### Basis of Accounting

The Organization adopted the accrual basis of accounting effective January 1, 2007. This resulted in an adjustment to net assets at the beginning of the year. See Note 6.

#### Concentrations

Revenue from one program, the Thrift Shop, represents approximately 22% of total revenues.

#### Functional Allocation of Expenses

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

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued  
For the Years Ended December 31, 2008 and 2007

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

Financial Statements Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of The Open Door/Cape Ann Food Pantry, Inc. and changes therein are classified and reported as follows:

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

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

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

Cash and Cash Equivalents

The Open Door/Cape Ann Food Pantry, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

The Organization is a non-profit organization, not a private foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued  
For the Years Ended December 31, 2008 and 2007

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

Contributions

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

In-Kind Contributions of Materials and Services

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", the organization records the value of contributed services that are provided by individuals requiring specialized skills or that enhance or create non-financial assets.

No amounts have been recorded for the value of other contributed services received from numerous volunteers who are involved in events and activities that did not meet requirements for recognition in the financial statements.

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

Inventory – Food Program and In-kind Food Donations

In-kind inventory for the Organization's food program is not recorded in the statement of financial position as the method for consistently recording its value has been determined as arbitrary and immaterial to the financial statements.

The Organization does record in-kind donations to the food program which is included in the statement of activities. The Organization bases the value on a study performed by America's Second Harvest, the nation's Food Bank Network, which was \$1.49 and \$1.69 per pound for the years ended December 31, 2008 and 2007, respectively. The Organization recorded the following in-kind donations of food for the years ended December 31:

	<u>2008</u>	<u>2007</u>
Pounds of Donated Food	487,529	531,611
Value Per Pound	\$ 1.49	\$ 1.69
Total Value of Donated Food	<u>\$ 726,418</u>	<u>\$ 898,423</u>

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

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued  
For the Years Ended December 31, 2008 and 2007

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

Inventory – Thrift Shop Program

In-kind inventory for the Organization's thrift shop program is not recorded in the statement of financial position as there is no practical method for valuing donated items. Donations of used household items, clothing and other bric-a-brac are sold through the Organization's thrift shop and are recorded as Thrift Shop Revenue. Some items are donated to other non-profit organizations or distributed through a referral network.

Investments

In accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of assets and net assets. Realized and unrealized gains and losses are reflected in the statement of revenues, expenses and changes in net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statement amounts and disclosures. Actual results could differ from those estimates and assumptions.

Property and Equipment

The Organization capitalizes major purchases of property and equipment invoiced over \$3,000, which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance and repairs are charged to expense as incurred.

Capitalized property and equipment are recorded at cost, if purchased or constructed; or at fair market value at the date of the gift, if donated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets capitalized or over the length of the lease for leasehold improvements.

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued

For the Years Ended December 31, 2008 and 2007

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

Property and Equipment - Continued

Property and equipment consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>	<u>Estimated Useful Life</u>
Food Pantry Equipment	\$ 51,860	\$ 43,810	5 Years
Thrift Shop Equipment	36,388	23,781	5 Years
	<u>88,248</u>	<u>67,591</u>	
Less Accumulated Depreciation	<u>(58,642)</u>	<u>(47,039)</u>	
	<u>\$ 29,606</u>	<u>\$ 20,552</u>	

Depreciation expense amounted to \$11,603 and \$12,417 for the years ended December 31, 2008 and 2007, respectively.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give amounted to \$5,000 and \$4,000 at December 31, 2008 and 2007, respectively. All amounts are considered collectible within one year, and as a result have not been discounted.

2. Rent

The Organization entered into a two-year lease effective August 1, 2005 for its food pantry operations at a rate of \$2,100 per month plus utilities. The lease was extended through November 2006 at the rate of \$2,142 per month plus utilities.

On December 1, 2006 the lease was renegotiated thru November 2009 with a base monthly rate of \$2,185 plus utilities for the first year. This monthly base rate will increase to \$2,229 and \$2,251 for each subsequent year, respectively.

The Organization entered into a three-year lease for a new location effective October 1, 2005 for its thrift shop operations at a rate of \$3,100 per month plus utilities for the first two years and \$3,200 per month for the third year. The lease is renewable for two years at a rate of \$3,300 per month plus utilities.

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued

For the Years Ended December 31, 2008 and 2007

2. Rent - Continued

In September of 2006, the Thrift Shop expanded its space by leasing an additional 700 square feet at the rate of \$400 per month for the first year and \$500 per month for the second year.

On October 1, 2008 the Thrift Shop renewed its lease for five years through September 2013 at a rate of \$3,800 per month.

Future minimum lease payments for the next five years as of December 31, 2008 are as follows:

	Food Pantry	Thrift Store	Total
2009	\$ 24,761	\$ 45,600	\$ 70,361
2010	-	45,600	45,600
2011	-	45,600	45,600
2012	-	45,600	45,600
2013	-	34,200	34,200
	<u>\$ 24,761</u>	<u>\$ 216,600</u>	<u>\$ 241,361</u>

The Organization paid rent of \$72,414 and \$71,863 for the year ended December 31, 2008 and 2007, respectively.

3. Investments

Investments consist of the following at December 31, 2008:

	Cost	Fair Value	Cumulative Unrealized Appreciation/ (Depreciation)
60.517 shares of Vanguard 500 Index Fund	<u>\$6,121</u>	<u>\$5,028</u>	<u>\$ (1,093)</u>
Total Investments	<u>\$6,121</u>	<u>\$5,028</u>	<u>\$ (1,093)</u>

Investment return for the year ended December 31, 2008 is summarized as follows:

Dividends	\$ 149
Unrealized Depreciation	<u>(3,105)</u>
Total Investment Return	<u>\$ (2,956)</u>

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued

For the Years Ended December 31, 2008 and 2007

5. Net Assets

Net Assets consist of the following December 31:

	<u>2008</u>	<u>2007</u>
Unrestricted:		
Operating	\$ 331,826	\$ 258,870
Board Designated:		
Vehicle Replacement	65,000	65,000
Equipment Replacement	30,000	30,000
Pilot Programs	30,000	30,000
Building Purchase	50,000	50,000
Total Board Designated	<u>175,000</u>	<u>175,000</u>
Total Unrestricted	<u>506,826</u>	<u>433,870</u>
Temporarily Restricted		
Scale and Truck Overhang	-	4,320
Total Temporarily Restricted	<u>-</u>	<u>4,320</u>
Total Net Assets	<u>\$ 506,826</u>	<u>\$ 438,190</u>

6. Prior Period Adjustment

Net assets at the beginning of the year ended December 31, 2007 have been adjusted to conform with accounting principles generally accepted in the United States of America whereby the Organization adopted the accrual basis of accounting instead of the cash basis. The correction has no effect on the results of the current year's activities; however, the cumulative effect increased beginning net assets by \$24,947 and is detailed as follows:

	<u>Unrestricted Net Assets</u>			
	<u>Operating</u>	<u>Board Designated</u>	<u>Temporarily Restricted Assets</u>	<u>Total Net Assets</u>
Before Adoption	\$ 195,976	\$ 175,000	\$ 31,502	\$ 402,478
Record Prior Period Expense	(12,652)	-	-	(12,652)
Record Property and Equipment, Net	26,647	-	-	26,647
Record Prior Period Revenue	10,952	-	-	10,952
After Adoption	<u>\$ 220,923</u>	<u>\$ 175,000</u>	<u>\$ 31,502</u>	<u>\$ 427,425</u>

**THE OPEN DOOR/CAPE ANN FOOD PANTRY, INC.**

Notes to Financial Statements – Continued

For the Years Ended December 31, 2008 and 2007

7. Name Change

As of December 31, 2008, The Open Door/Cape Ann Food Pantry, Inc. was in the midst of an integrated process of strategic and financial planning, market research, re-branding, and assessing its ongoing fundraising potential. It is the Board's intention to legally change the name of the Organization to "The Open Door" no later than December 31, 2009 and to also apply to the Commonwealth of Massachusetts to continue "doing business as" The Open Door/Cape Ann Food Pantry, Inc.