

**THE OPEN DOOR/  
CAPE ANN FOOD PANTRY, INC.**  
Financial Statements  
For the Years Ended  
December 31, 2009 and 2008

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, 2009 and 2008, 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 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.

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, 2009 and 2008 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.*

HORVITZ & FRISCH, P.C.

September 27, 2010

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

Statements of Financial Position

December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 244,455	\$ 215,023
Promises to Give	4,803	5,000
Prepaid Expenses	2,536	7,872
Total Current Assets	<u>251,794</u>	<u>227,895</u>
Property and Equipment, Net of Accumulated Depreciation	<u>49,229</u>	<u>29,606</u>
Other Assets:		
Certificates of Deposit	278,964	270,909
Investments	6,360	5,028
Total Other Assets	<u>285,324</u>	<u>275,937</u>
Total Assets	<u>\$ 586,347</u>	<u>\$ 533,438</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 13,400	\$ 13,338
Accrued Payroll and Payroll Taxes	7,176	10,661
Accrued Vacation	4,320	2,613
Total Current Liabilities	<u>24,896</u>	<u>26,612</u>
Net Assets:		
Unrestricted:		
Operating	386,451	331,826
Board Designated	175,000	175,000
Total Unrestricted	<u>561,451</u>	<u>506,826</u>
Total Net Assets	<u>561,451</u>	<u>506,826</u>
Total Liabilities and Net Assets	<u>\$ 586,347</u>	<u>\$ 533,438</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, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Contributions	\$ 100,600	\$ -	\$ 100,600
In-kind Food Donations	998,269	-	998,269
In-kind Service Donations	18,384	-	18,384
Public Grants	48,424	-	48,424
Private Foundations	137,599	-	137,599
Fundraising	143,874	-	143,874
Thrift Shop	373,345	-	373,345
Food Service	1,785	-	1,785
Gain on Sale of Asset	1,030	-	1,030
Insurance Proceeds, Net of Expenses	8,709	-	8,709
Interest Income	8,671	-	8,671
Investment Return	1,332	-	1,332
Net assets released from restrictions:			
Satisfaction of Performance	-	-	-
Total Revenues	<u>1,842,022</u>	<u>-</u>	<u>1,842,022</u>
Expenses:			
Program	1,653,148	-	1,653,148
Management and General	125,949	-	125,949
Fundraising	<u>8,300</u>	<u>-</u>	<u>8,300</u>
Total Expenses	<u>1,787,397</u>	<u>-</u>	<u>1,787,397</u>
Change in Net Assets	54,625	-	54,625
Net Assets, Beginning of Year	<u>506,826</u>	<u>-</u>	<u>506,826</u>
Net Assets, End of Year	<u>\$ 561,451</u>	<u>\$ -</u>	<u>\$ 561,451</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 Functional Expenses

For the Year Ended December 31, 2009

	Program			Management and General	Fundraising Expenses	Total
	Food and Meals	Thrift Shop	Total			
Salaries and Wages	\$ 168,421	\$ 130,300	\$ 298,721	\$ 54,397	\$ 2,512	\$ 355,630
Payroll Taxes	13,929	10,775	24,704	4,500	208	29,412
Employee Benefits	8,604	2,022	10,626	7,581	505	18,712
Food Purchase	102,695	-	102,695	-	-	102,695
In-Kind Food Donations	998,269	-	998,269	-	-	998,269
Transportation	27,327	-	27,327	-	-	27,327
Small Equipment						
Purchases	9,797	2,052	11,849	-	-	11,849
Occupancy	56,278	62,804	119,082	6,253	-	125,335
Employment Expenses	-	-	-	6,787	-	6,787
Accounting	-	-	-	8,720	-	8,720
Branding Project	-	-	-	25,270	-	25,270
Advertising	504	-	504	-	800	1,304
Insurance	-	-	-	6,221	-	6,221
Postage and Delivery	3,684	25	3,709	-	1,398	5,107
Supplies	10,341	5,611	15,952	-	1,148	17,100
Printing and Publications	5,770	1,096	6,866	-	1,729	8,595
Bank Service Charges	562	5,733	6,295	-	-	6,295
Outside Services	957	1,094	2,051	-	-	2,051
Office Expenses	2,220	1,540	3,760	6,220	-	9,980
Outreach	10,112	-	10,112	-	-	10,112
Depreciation	5,734	4,892	10,626	-	-	10,626
<b>Total</b>	<b>\$ 1,425,204</b>	<b>\$ 227,944</b>	<b>\$ 1,653,148</b>	<b>\$ 125,949</b>	<b>\$ 8,300</b>	<b>\$ 1,787,397</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, 2008

	Program			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	1,677	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.**

Statements of Cash Flows

For the Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 54,625	\$ 68,636
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,626	11,603
Investment Return	(1,332)	2,956
Certificate of Deposit Interest	(8,055)	(10,854)
(Increase) Decrease in:		
Accounts Receivable	197	(1,000)
Prepaid Expenses	5,336	(7,872)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	<u>(1,715)</u>	<u>5,523</u>
Net Cash Provided by Operating Activities	<u>59,682</u>	<u>68,992</u>
Cash Flows from Investing Activities:		
Purchase of Equipment	<u>(30,250)</u>	<u>(20,657)</u>
Net Cash (Used) by Investing Activities	<u>(30,250)</u>	<u>(20,657)</u>
Net Increase in Cash and Cash Equivalents	29,432	48,335
Cash and Cash Equivalents, Beginning of Year	<u>215,023</u>	<u>166,688</u>
Cash and Cash Equivalents, End of Year	<u>\$ 244,455</u>	<u>\$ 215,023</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, 2009 and 2008

#### 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 financial statements are prepared using the accrual basis of accounting.

##### Concentration of Revenue

Revenue from one program, the Thrift Shop, represents approximately 20% of total revenues.

##### Support from a Major Contributor

The Organization received approximately 25% of total support and revenue from one donor during 2009. These contributions were in the form of donated goods.

##### 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, 2009 and 2008

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, 2009 and 2008

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

The Organization records the value of contributed services that are provided by individuals requiring specialized skills or that enhance or create non-financial assets. During the year ended December 31, 2009, the Organization received an in-kind contribution for services in the amount of \$18,384 associated with its Branding Project.

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 per pound value on a study performed by America’s Second Harvest, the nation’s Food Bank Network, which was \$1.58 and \$1.49 per pound for the years ended December 31, 2009 and 2008, respectively. The Organization recorded the following in-kind donations of food for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Pounds of Donated Food	631,816	487,529
Value Per Pound	\$ 1.58	\$ 1.49
Total Value of Donated Food	<u>\$ 998,269</u>	<u>\$ 726,418</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, 2009 and 2008

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

During 2009, the Organization adopted the criteria of Financial Accounting Standards Board Statement No. 157 "Fair Value of Measurements" (Statement of Financial Accounting Standards 157 (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. SFAS 157 established a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework under SFAS 157 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level II: Inputs other than quoted prices that are unobservable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable.

An investments' level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Organization's management values other investments, which are publicly traded, using observable, or Level I inputs – the quoted price in an active market.

Adopting SFAS 157 did not result in any change in the measurement of the carrying value of the Organization's investments as they have been historically been recorded at fair market value.

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

Notes to Financial Statements – Continued

For the Years Ended December 31, 2009 and 2008

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

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.

Property and equipment consisted of the following at December 31:

	2009	2008	Estimated Useful Life
Building Acquisition Costs	\$ 30,250	\$ -	
Food Pantry Equipment	51,860	51,860	5 Years
Thrift Shop Equipment	36,388	36,388	5 Years
	118,498	88,248	
Accumulated Depreciation	(69,269)	(58,642)	
	\$ 49,229	\$ 29,606	

Depreciation expense amounted to \$10,626 and \$11,603 for the years ended December 31, 2009 and 2008, 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 \$4,803 and \$5,000 at December 31, 2009 and 2008, respectively. All amounts are considered collectible within one year, and as a result have not been discounted.

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

Notes to Financial Statements – Continued

For the Years Ended December 31, 2009 and 2008

2. Rent

Food Pantry - The Organization was under a lease through November 2009 for its food pantry operations. This lease provided for monthly base rates ranging from \$2,185 to \$2,251, plus utilities. The Organization was a tenant-at-will after the end of the lease until it purchased the property in February 2010. See Note 8.

Thrift Store - Effective October 1, 2008, the Organization entered into five-year lease through September 2013 for its Thrift Store location. Monthly rent expense under this agreement is \$3,800.

Future minimum lease payments for the next five years as of December 31, 2009 are as follows:

	<u>Thrift Store</u>	
2010	\$	45,600
2011		45,600
2012		45,600
2013		34,200
2014		-
	\$	<u>171,000</u>

The Organization paid rent of \$72,612 and \$72,414 for the years ended December 31, 2009 and 2008, respectively.

3. Investments

Investments consist of the following at December 31, 2009:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Appreciation/ (Depreciation)</u>
60.517 shares of Vanguard 500 Index Fund	<u>\$6,250</u>	<u>\$6,360</u>	<u>\$ 110</u>
Total Investments	<u>\$6,250</u>	<u>\$6,360</u>	<u>\$ 110</u>

Investment return for the year ended December 31, 2009 is summarized as follows:

Dividends	\$ 129
Unrealized Appreciation	<u>1,203</u>
Total Investment Return	<u>\$ 1,332</u>

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

Notes to Financial Statements – Continued

For the Years Ended December 31, 2009 and 2008

3. Investments - Continued

Investments consist of the following at December 31, 2008:

	<u>Cost</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Appreciation</u>
59.077 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>

4. Other Investments

The Organization received a contribution in 2000 of a 5% interest in a limited liability company. This LLC ceased operations during 2008. Management does not anticipate any liability or liquidating distribution to The Open Door/Cape Ann Food Pantry, Inc.

This investment is carried at zero because there is no readily determinable fair value for this investment.

5. Net Assets

Net Assets consist of the following December 31:

	<u>2009</u>	<u>2008</u>
Unrestricted:		
Operating	<u>\$ 386,451</u>	<u>\$ 331,826</u>
Board Designated:		
Vehicle Replacement	65,000	65,000
Equipment Replacement	30,000	30,000
Pilot Programs	30,000	30,000
Building Purchase	<u>50,000</u>	<u>50,000</u>
Total Board Designated	<u>175,000</u>	<u>175,000</u>
Total Unrestricted	<u>561,451</u>	<u>506,826</u>
 Total Net Assets	 <u>\$ 561,451</u>	 <u>\$ 506,826</u>

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

Notes to Financial Statements – Continued

For the Years Ended December 31, 2009 and 2008

6. Name Change

During the years ended December 31, 2009 and 2008, The Open Door/Cape Ann Food Pantry, Inc. conducted a process of strategic and financial planning, market research, re-branding, and assessment of its ongoing fundraising potential. After consideration, the Board decided not to change the Organizations' name, but will do business as both "The Open Door" and "The Cape Ann Food Pantry".

7. Tax Positions and Filings

During 2009, the Organization adopted Topic 740 of the FASB Accounting Standards Codification (ASC) relating to accounting for uncertainty in income taxes. As required by this topic, Management of the Organization has evaluated its tax positions, applying a "More Likely Than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the applicable taxing authorities, federal or state. The Organization has filed all of its known required returns in a timely manner including as permitted allowed extensions. Accordingly, management believes tax years 2006, 2007, and 2008, following administrative practice of the taxing authorities, remains open years and subject to review.

8. Subsequent Events

Subsequent events have been evaluated through September 27, 2010 which is the date the financial statements were available to be issued.

On February 11, 2010, the Organization purchased the building where it conducts its food pantry operations for \$500,000. The Organization paid \$200,000 in cash and incurred long-term debt in the amount of \$300,000, with monthly payments of interest and principal paid over 25 years. The food pantry utilizes approximately 7,500 square feet of the space and a tenant leases approximately 1,500 square feet for \$1,025 per month.

During the year ended December 31, 2010, the Organization entered into a twelve month lease for additional space for its furniture annex, payable in monthly installments of \$1,000.