

**THE SALEM PANTRY, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

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CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Salem Pantry, Inc.  
Salem, MA

We have audited the accompanying financial statements of The Salem Pantry, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and 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 misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 have 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 Salem Pantry, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*Goldman, Clearfield & Ocampo, LLP*

Columbia, MD  
October 13, 2021

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

<b>ASSETS</b>	
Cash	\$ 346,567
Grants Receivable	128,530
Other Receivable	16,165
Prepaid Expenses	4,587
Machinery and Equipment, Net	183,816
Deposits	<u>1,426</u>
<b>TOTAL ASSETS</b>	<u>\$ 681,091</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 8,473
Note Payable	5,672
Line of Credit	<u>75,000</u>
<b>TOTAL LIABILITIES</b>	<u>89,145</u>
<b>NET ASSETS</b>	
Without Donor Restrictions	
Undesignated	419,230
Board Designated	<u>46,216</u>
Total Without Donor Restrictions	465,446
With Donor Restrictions	<u>126,500</u>
<b>TOTAL NET ASSETS</b>	<u>591,946</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 681,091</u>

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

**THE SALEM PANTRY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

<b>CHANGES IN NET ASSETS</b>	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions - Cash	\$ 513,240	\$ 187,430	\$ 700,670
Contributions - Noncash	1,244,148	-	1,244,148
Investment Income	45	-	45
Net Assets Released from Restrictions	63,430	(63,430)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>1,820,863</b>	<b>124,000</b>	<b>1,944,863</b>
<b>EXPENSES</b>			
Program Services	1,433,148	-	1,433,148
Management and General	27,711	-	27,711
Fundraising	23,135	-	23,135
<b>TOTAL EXPENSES</b>	<b>1,483,994</b>	<b>-</b>	<b>1,483,994</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>336,869</b>	<b>124,000</b>	<b>460,869</b>
<b>NET ASSETS - BEGINNING</b>	<b>128,577</b>	<b>2,500</b>	<b>131,077</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 465,446</b>	<b>\$ 126,500</b>	<b>\$ 591,946</b>

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

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising	\$ -	\$ -	\$ 1,242	\$ 1,242
Bank and Credit Card Fees	290	147	3,040	3,477
Computer and Internet	2,987	3,128	709	6,824
Depreciation	4,689	-	-	4,689
Dues and Subscriptions	141	-	-	141
Employee Benefits	7,677	531	778	8,986
Food	1,251,756	-	-	1,251,756
Insurance	1,982	-	-	1,982
Interest	-	122	-	122
Licenses	225	417	-	642
Miscellaneous	-	220	-	220
Office Expense	-	3,297	3,136	6,433
Payroll	108,499	5,179	10,358	124,036
Payroll Taxes	7,835	378	756	8,969
Postage and Shipping	792	411	3,116	4,319
Professional Fees	1,066	13,410	-	14,476
Program Supplies	7,542	-	-	7,542
Rent	11,997	-	-	11,997
Repairs and Maintenance	7,703	-	-	7,703
Travel and Entertainment	40	471	-	511
Utilities	6,290	-	-	6,290
Vehicle	11,637	-	-	11,637
	<u>\$ 1,433,148</u>	<u>\$ 27,711</u>	<u>\$ 23,135</u>	<u>\$ 1,483,994</u>

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

**THE SALEM PANTRY, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase in Net Assets	\$ 460,869
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	4,689
(Increase) Decrease in:	
Grants Receivable	(123,530)
Other Receivables	(11,888)
Prepaid Expenses	(3,211)
Deposits	(1,426)
Increase in:	
Accounts Payable	<u>7,752</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>333,255</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Machinery and Equipment	<u>(186,314)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(186,314)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Note Payable	5,672
Proceeds from Line of Credit	<u>75,000</u>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>80,672</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	227,613
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>118,954</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 346,567</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>	
Cash Paid for Interest	<u>\$ 122</u>

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

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

The Salem Pantry, Inc. (the Organization) was incorporated in 2004 under the laws of Massachusetts as a non-profit organization and is exempt from income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code.

The Organization's primary purpose is to work collaboratively to empower diverse local and regional communities by ensuring the essential right to convenient and reliable access to healthy food. Significant sources of revenue are from contributions and grants from individuals, private and community foundations supportive of the Organization's mission. The Organization also receives donations of food from various sources.

Income Taxes:

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended December 31, 2020, 2019 and 2018 are subject to examination, generally for three years after they were filed.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have any income from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Subsequent Events:

In the normal course of preparing the Organization's financial statements, management reviews events that occur after the statement of financial position dated December 31, 2020 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through October 13, 2021, which is the date the financial statements were available to be issued.

Method of Accounting:

The Organization's financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. As of December 31, 2020, the Organization had no cash equivalents.

Receivables:

Receivables that are expected to be collected within one year are recorded at net realizable value. Receivables expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the assets. In subsequent years, amortization of the discounts is included in grants and contributions revenue in the statement of activities. All receivables at December 31, 2020 are expected to be collected within one year.

The Organization determines the allowance for uncollectible accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible. There was no allowance for uncollectible receivables at December 31, 2020.

Financial Statement Presentation:

The net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of The Salem Pantry, Inc.'s management and board of directors.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of The Salem Pantry, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Machinery and Equipment:

Machinery and equipment are carried at cost. The Organization has a policy of capitalizing its assets with a useful life of one year or more and a cost basis of \$1,000. Depreciation of machinery and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>YEARS</u>
Computers	5
Machinery and Other Equipment	5 - 15
Vehicles	5
Leasehold Improvements	30

Revenue Recognition:

Contributions, including grants, are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Advertising Costs:

Advertising Costs are expensed when incurred. Total advertising costs for the year ended December 31, 2020 was \$1,242.

New Accounting Pronouncement:

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 was issued to clarify and improve the guidance in GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution is conditional. The amendments in ASU 2018-08 address these matters for both contributions received (income or revenue) and contributions made (expense). The Organization has determined there is no impact in the presentation of these statements when applying ASU 2018-08.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

**NOTE B – AVAILABILITY AND LIQUIDITY**

As of December 31, 2020, the Organization has \$318,546 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$294,351, grants receivable of \$8,030, and other receivables of \$16,165. The receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization's practice is generally to maintain financial assets to meet one year's worth of operating expenses.

**NOTE C – FUNCTIONAL EXPENSES**

The Organization allocates expenses on a functional basis among its program and supporting services. Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis and are composed of the following:

*Management and general* – includes all activities related to the Organization's internal management and accounting for program services.

*Fundraising* – includes the activities related to maintaining contributor information, operating events, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

Expenses that can be identified with a specific program or supporting service are allocated directly to those classifications. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Certain indirect costs have been allocated among the programs and supporting services benefited based on actual time worked on the different projects.

Allocations of functional expenses are based on management's discretion and estimates. These variables may change from year to year. As a result, there may be fluctuation in the comparative presentation of data from year to year.

**NOTE D – NONCASH CONTRIBUTIONS**

Donations of noncash items are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE E – MACHINERY AND EQUIPMENT, NET

Major classifications of machinery and equipment are summarized as follows:

Computer Equipment	\$ 4,131
Machinery and Other Equipment	119,294
Vehicles	49,212
Leasehold Improvements	15,868
Less: Accumulated Depreciation	<u>(4,689)</u>
	<u>\$ 183,816</u>

Total depreciation expense was \$4,689 for the year ended December 31, 2020.

NOTE F – LINE OF CREDIT

The Organization has a \$128,000 line of credit arrangement with SalemFive Bank. Interest is payable at the bank's prime rate, presently 3.25%. The maturity date is May 1, 2021. As of December 31, 2020, the outstanding balance on the line of credit was \$75,000. The balance was fully repaid subsequent to year-end.

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash deposits at one bank. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31 2020, the Organization had \$90,827 in excess of the FDIC limit.

NOTE H – NOTE PAYABLE

On April 29, 2020, the Organization entered into a note agreement (the Note) with the Small Business Administration (SBA) in the amount of \$5,672, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Note bears interest at 1% and is due April 28, 2022. The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the Note may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization used the entire Note amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Note may be forgiven if they are used for

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE H – NOTE PAYABLE (CONTINUED)

qualifying expenses as described in the CARES Act. In accordance with the SBA, loan payments have been deferred because the Organization has applied for loan forgiveness.

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2020:

Commonwealth of Massachusetts	\$ 120,500
Program Supplies	1,500
Transportation Costs	1,500
Food Purchases	<u>3,000</u>
	<u>\$ 126,500</u>

NOTE J – LEASING COMMITMENTS

In April 2020, the Organization entered into an agreement to lease storage space until April 30, 2023. The initial monthly charge is \$1,426 through April 2021, with annual increases thereafter as per the lease agreement. In addition, the Organization may be liable for additional charges under the agreement such as real estate tax reimbursements. Total rent expense related to this agreement was \$11,997 for the year ended December 31, 2020.

Subsequent to year-end, in January 2021, the Organization entered into a lease agreement for office space commencing February 1, 2021 through April 30, 2023. The initial monthly charge is \$1,804 through January 31, 2022, with annual increases thereafter as per the lease agreement.

The following is a schedule of minimum rental payments due under both leases as of December 31, 2020:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2021	\$ 37,410
2022	40,703
2023	<u>13,668</u>
	<u>\$ 91,781</u>

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**  
**(CONTINUED)**

NOTE K – CONTINGENCIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. The Organization could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the business, financial condition, and results of operations will depend on future developments, which are uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, the Organization cannot predict the extent to which the financial condition and results of operations will be affected.