

**THE SALEM PANTRY, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2019**

**THE SALEM PANTRY, INC.  
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## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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

We have reviewed the accompanying financial statements of The Salem Pantry, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Johnson O'Connor Feron & Carucci LLP*

Wakefield, Massachusetts  
November 12, 2020

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FINANCIAL POSITION**

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December 31, 2019

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 118,954
Grants receivable	5,000
Total current assets	<u>123,954</u>
Property and equipment, net	<u>2,191</u>
Total assets	<u><u>\$ 126,145</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	721
Total liabilities	<u>721</u>

**NET ASSETS**

Net assets without donor restrictions	
Undesignated	76,708
Board designated	46,216
Total net assets without donor restrictions	<u>122,924</u>
Net assets with donor restrictions	2,500
Total net assets	<u>125,424</u>
Total liabilities and net assets	<u><u>\$ 126,145</u></u>

See independent accountants' review report and notes to financial statements.

**THE SALEM PANTRY, INC.**  
**STATEMENT OF ACTIVITIES**

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 100,843	\$ 2,500	103,343
In-kind donations	304,892	-	304,892
Other income	92	-	92
Total support and revenue	405,827	2,500	408,327
<b>EXPENSES</b>			
Program services	341,756	-	341,756
Management and general	6,588	-	6,588
Fundraising	5,510	-	5,510
Total expenses	353,854	-	353,854
Change in net assets	51,973	2,500	54,473
<b>NET ASSETS - BEGINNING OF YEAR</b>	70,951	-	70,951
<b>NET ASSETS - END OF YEAR</b>	\$ 122,924	\$ 2,500	\$ 125,424

See independent accountants' review report and notes to financial statements.

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2019			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total Expenses
In-kind food donations	\$ 304,892	\$ -	\$ -	\$ 304,892
Salaries and benefits	14,143	1,065	2,130	17,338
Food purchases	16,672	-	-	16,672
Printing and postage	-	72	3,030	3,102
Supplies	682	2,126	-	2,808
Equipment expense	2,737	-	-	2,737
Rent	1,980	-	-	1,980
Insurance	-	1,860	-	1,860
Recruiting	650	-	-	650
Bank fees	-	524	-	524
Miscellaneous	-	522	-	522
Technology and website	-	-	240	240
Dues and subscriptions	-	190	-	190
Meals and entertainment	-	156	-	156
Advertising	-	-	110	110
Licenses and permits	-	55	-	55
Other taxes	-	18	-	18
<b>Total expenses</b>	<b>\$ 341,756</b>	<b>\$ 6,588</b>	<b>\$ 5,510</b>	<b>\$ 353,854</b>

See independent accountants' review report and notes to financial statements.

**THE SALEM PANTRY, INC.**  
**STATEMENT OF CASH FLOWS**

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	Year Ended December 31, 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 54,473
Increase in operating assets:	
Grants receivable	(5,000)
Increase in operating liabilities:	
Accounts payable	721
Net cash provided by operating activities	<u>50,194</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(2,191)</u>
Net cash used by investing activities	<u>(2,191)</u>
Net increase in cash	48,003
<b>CASH - BEGINNING OF YEAR</b>	<u>70,951</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 118,954</u></u>

See independent accountants' review report and notes to financial statements.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. STATEMENT OF PURPOSE**

The Salem Pantry, Inc. (the Organization), was organized in 2009 under Section 501(c)(3) of the Internal Revenue Code to eradicate hunger in the Salem, Massachusetts community by providing residents in need with nutritious foods in an atmosphere of dignity and respect. 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 a single not-for-profit organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Measure of Operations –**

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claim receipt, and liabilities are recorded when the obligation is incurred.

**Use of Estimates –**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management's Review –**

Subsequent events have been evaluated by management through November 12, 2020, the date the financial statements were available to be issued.

As a result of the recent spread of the COVID-19 coronavirus (COVID-19), economic uncertainties have arisen which are likely to impact the Organization's 2020 operating results. The Organization's operating expense mainly consist of program costs associated with food purchases and payroll. Accordingly, the Organization's exposure to the impact of COVID-19 is primarily associated with donor reluctance to support fund-raising initiatives. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

In April 2020, the Organization applied for and obtained a Payroll Protection Plan loan under the Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$5,672. The loan is available to pay payroll costs, utilities, rent, and mortgage interest over a twenty-four-week period from the time the loan is obtained. Provided the loan amount is used to pay these costs and the Organization maintains certain employment benchmarks, the loan will be forgiven. It is the intent of management to use the funds from the loan in accordance with the provisions of the CARES Act and thus it is anticipated the loan will be forgiven.

In November 2020, the Organization entered into a \$128,000 non-revolving line of credit agreement with a bank. The outstanding balance will bear interest at Prime rate and the maturity date is May 1, 2021.



**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents –**

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Grants Receivable –**

Grants receivable that are expected to be collected within one year are recorded at net realizable value. Grants receivable that are 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 asset. In subsequent years, amortization of the discounts is included in grants and contributions revenue in the statement of activities. The Organization determines the allowance for uncollectible grants based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivables are written off when deemed uncollectible. There was no allowance for uncollectible grants at December 31, 2019.

**Property and equipment –**

Property and equipment are recorded at cost if purchased or fair value if contributed. Routine maintenance and repairs are expensed as incurred. The Organization has a policy of capitalizing assets with useful life of one year or more and a cost basis of \$1,000 or greater. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Upon retirement or disposition, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. As of December 31, 2019, the Organization property and equipment consists of computer equipment which had not yet been placed in service.

**Net Assets –**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

If donor restricted contribution criteria are met and the funds are released in the same year, the contribution is considered without donor restriction.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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. Contributed goods are recorded at fair value at the date of donation. For the year ended December 31, 2019 the Organization benefited from food donated for program services valued at \$304,892.

**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 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 fluctuations in the comparative presentation of data from year to year.

**Income Taxes –**

The Organization qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income tax on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for federal and state income tax has been recorded in the accompanying financial statements. The Organization is subject to federal and state income taxes on unrelated business income. The Organization did not incur federal and state income tax expense related to unrelated business income for the year ended December 31, 2019.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes (Continued) –**

The Organization regularly reviews and evaluates its tax positions taken in its filed returns and recognizes the benefit from a tax position only if it is more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. The Organization accrues interest and penalties on uncertain tax positions as a component of the provision for income taxes.

The Organization files IRS Form 990 annually with the Federal Government and Massachusetts Form PC with the Commonwealth of Massachusetts. These information returns are subject to examination by the federal and state jurisdictions.

**3. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents.

The Organization maintains its cash in bank deposit and money market accounts. Bank balances at times may exceed the federally insured limits. If the financial institution holding the accounts were to fail, amounts exceeding the federally insured limit would be subject to loss. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risks on cash.

**4. LIQUIDITY AND AVAILABILITY**

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the donor or others have set aside the funds for a specific time period or purpose.

Financial assets:	
Cash	\$ 118,954
Grants receivable	5,000
Financial assets, at year end	<u>123,954</u>
Less those unavailable for general expenditure within one year, due to:	
Board-designated net assets	46,216
Net assets with donor restrictions	2,500
	<u>48,716</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 75,238</u></u>

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**5. LIQUIDITY AND AVAILABILITY (Continued)**

The Organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Board-designated funds are maintained in a money market account and can be used for short term needs upon approval from the board of directors.

**6. NET ASSETS WITH RESTRICTIONS**

Net assets with donor restrictions of \$2,500 are restricted for strategic planning services as of December 31, 2019.

**7. LEASE**

The Organization leases office space under a tenant-at-will arrangement. Rent expense was \$1,980 for the year ended December 31, 2019.

In April 2020, the Organization signed a lease for storage space under a three-year non-cancelable lease agreement that expires on April 30, 2023.

**8. COMMITMENTS AND CONTINGENCIES**

Grants often require the fulfillment of certain conditions as set forth in the instrument. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, the Organization deems the contingency remote since, by accepting the gifts and their terms, it has made a commitment and has a capacity to fulfill the provisions of the gift.

101 Edgewater Drive  
Suite 210  
Wakefield, MA 01880

T (781) 914-3400

[www.johnsonconnor.com](http://www.johnsonconnor.com)