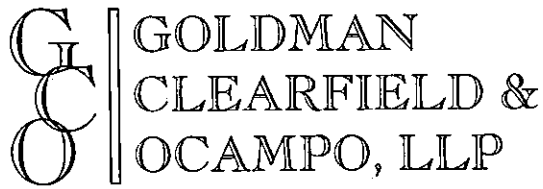


**THE SALEM PANTRY, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and related notes to the financial statements.

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, 2022 and 2021 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Salem Pantry, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Salem Pantry, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Salem Pantry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Salem Pantry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Goldman, Clearfield + Ocampo, LLP.*

Columbia, MD  
October 26, 2023

**THE SALEM PANTRY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash	\$ 819,808	\$ 481,565
Grants Receivable	70,550	11,775
Other Receivable	11,545	6,931
Prepaid Expenses	14,128	12,543
Property and Equipment, Net	234,182	214,746
Right-of-Use Assets	16,374	-
Deposits	<u>73,855</u>	<u>3,230</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,240,442</u></b>	<b><u>\$ 730,790</u></b>
 <b>LIABILITIES</b>		
Accounts Payable	\$ 24,557	\$ 16,657
Lease Liabilities	<u>12,957</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>37,514</u></b>	<b><u>16,657</u></b>
 <b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	1,002,917	662,847
Board Designated	<u>46,309</u>	<u>46,286</u>
Total Without Donor Restrictions	1,049,226	709,133
With Donor Restrictions	<u>153,702</u>	<u>5,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,202,928</u></b>	<b><u>714,133</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 1,240,442</u></b>	 <b><u>\$ 730,790</u></b>

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

**THE SALEM PANTRY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

<b>CHANGES IN NET ASSETS</b>	<b><u>WITHOUT DONOR RESTRICTIONS</u></b>	<b><u>WITH DONOR RESTRICTIONS</u></b>	<b><u>TOTAL</u></b>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions - Cash	\$ 726,621	\$ 478,200	\$ 1,204,821
Contributions - Noncash	2,072,695	-	2,072,695
Fees for Service	3,600	-	3,600
Investment Income	1,706	-	1,706
Fundraising Events	28,232	-	28,232
Net Assets Released from Restrictions	329,498	(329,498)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b><u>3,162,352</u></b>	<b><u>148,702</u></b>	<b><u>3,311,054</u></b>
<b>EXPENSES</b>			
Program Services	2,606,792	-	2,606,792
Management and General	111,815	-	111,815
Fundraising	103,652	-	103,652
<b>TOTAL EXPENSES</b>	<b><u>2,822,259</u></b>	<b><u>-</u></b>	<b><u>2,822,259</u></b>
<b>NET INCREASE IN NET ASSETS</b>	<b>340,093</b>	<b>148,702</b>	<b>488,795</b>
<b>NET ASSETS - BEGINNING</b>	<b><u>709,133</u></b>	<b><u>5,000</u></b>	<b><u>714,133</u></b>
<b>NET ASSETS - ENDING</b>	<b><u>\$ 1,049,226</u></b>	<b><u>\$ 153,702</u></b>	<b><u>\$ 1,202,928</u></b>

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

**THE SALEM PANTRY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021**

<b>CHANGES IN NET ASSETS</b>	<u><b>WITHOUT DONOR RESTRICTIONS</b></u>	<u><b>WITH DONOR RESTRICTIONS</b></u>	<u><b>TOTAL</b></u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>			
Contributions - Cash	\$ 496,356	\$ 73,349	\$ 569,705
Contributions - Noncash	1,588,392	-	1,588,392
Fees for Service	1,725	-	1,725
Investment Income	25	-	25
Debt Forgiveness	5,672	-	5,672
Net Assets Released from Restrictions	194,849	(194,849)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>2,287,019</u>	<u>(121,500)</u>	<u>2,165,519</u>
<b>EXPENSES</b>			
Program Services	1,909,947	-	1,909,947
Management and General	65,890	-	65,890
Fundraising	67,495	-	67,495
<b>TOTAL EXPENSES</b>	<u>2,043,332</u>	<u>-</u>	<u>2,043,332</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	243,687	(121,500)	122,187
<b>NET ASSETS - BEGINNING</b>	<u>465,446</u>	<u>126,500</u>	<u>591,946</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 709,133</u>	<u>\$ 5,000</u>	<u>\$ 714,133</u>

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

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising	\$ 8,410	\$ -	\$ 194	\$ 8,604
Computer and Internet	7,267	6,497	2,716	16,480
Depreciation	38,686	-	-	38,686
Dues, Subscriptions, & Licenses	1,773	1,899	155	3,827
Food	2,070,459	-	-	2,070,459
Fundraising	77	-	2,660	2,737
Insurance	8,651	2,164	750	11,565
Interest, Bank, & Credit Card Fees	40	110	4,753	4,903
Miscellaneous	276	150	-	426
Office Expense	4,658	12,849	555	18,062
Payroll, Payroll Taxes, & Employee Benefits	332,684	48,371	81,245	462,300
Postage and Shipping	4,979	133	696	5,808
Professional Fees	9,646	34,749	4,345	48,740
Program Supplies	27,262	-	-	27,262
Rent and Utilities	41,507	4,856	5,583	51,946
Repairs and Maintenance	4,489	-	-	4,489
Travel and Entertainment	890	37	-	927
Vehicle	45,038	-	-	45,038
	<u>\$ 2,606,792</u>	<u>\$ 111,815</u>	<u>\$ 103,652</u>	<u>\$ 2,822,259</u>

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

**THE SALEM PANTRY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising	\$ 460	\$ -	\$ 210	\$ 670
Computer and Internet	5,913	3,807	4,492	14,212
Depreciation	35,563	-	-	35,563
Dues, Subscriptions, & Licenses	657	1,229	105	1,991
Food	1,598,757	-	-	1,598,757
Insurance	10,911	643	346	11,900
Interest, Bank, & Credit Card Fees	30	564	3,685	4,279
Miscellaneous	-	114	1,600	1,714
Office Expense	91	5,596	3,157	8,844
Payroll, Payroll Taxes, & Employee Benefits	192,488	18,385	40,832	251,705
Postage and Shipping	555	169	3,079	3,803
Professional Fees	344	31,207	5,011	36,562
Program Supplies	5,495	-	-	5,495
Rent and Utilities	37,930	3,584	4,978	46,492
Repairs and Maintenance	5,722	443	-	6,165
Travel and Entertainment	114	149	-	263
Vehicle	14,917	-	-	14,917
	<u>\$ 1,909,947</u>	<u>\$ 65,890</u>	<u>\$ 67,495</u>	<u>\$ 2,043,332</u>

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

**THE SALEM PANTRY, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in Net Assets	\$ 488,795	\$ 122,187
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	38,686	35,563
Right-of-Use Assets	(3,417)	-
Debt Forgiveness	-	(5,672)
(Increase) Decrease in:		
Grants Receivable	(58,775)	116,755
Other Receivables	(4,614)	9,234
Prepaid Expenses	(1,585)	(7,956)
Deposits	(70,625)	(1,804)
Increase in:		
Accounts Payable	<u>7,900</u>	<u>8,184</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>396,365</u>	<u>276,491</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Machinery and Equipment	<u>(58,122)</u>	<u>(66,493)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(58,122)</u>	<u>(66,493)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments of) Proceeds from Line of Credit	<u>-</u>	<u>(75,000)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>(75,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	338,243	134,998
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>481,565</u>	<u>346,567</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 819,808</u>	<u>\$ 481,565</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ -</u>	<u>\$ 420</u>

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

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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, 2022, 2021 and 2020 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, 2022 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through October 26, 2023, 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, 2022 AND 2021**  
**(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, 2022 and 2021, 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, 2022 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, 2022 and 2021.

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.

Advertising Costs:

Advertising Costs are expensed when incurred. Total advertising costs for the year ended December 31, 2022 and 2021 were \$8,604 and \$670, respectively.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property 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.

Leases:

Effective January 1, 2022, the Organization recognizes and measures its leases in accordance with FASB ASC 842, *Leases*. The Organization is a lessee in noncancellable operating leases for office and storage space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. As the implicit rate of the leases were not readily determinable, the Organization utilized its incremental borrowing rate based on the information available at the commencement date of the lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus amortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Organization used a discount rate of 5.49% for determining its lease liability.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued):

The Organization has elected not to adjust the 2021 financial statements for FASB ASC 842. In addition, the Organization has elected the following practical expedients for all its leases that existed prior to the effective date of January 1, 2022.

1. An entity need not reassess whether any expired or existing contracts contain leases.
2. An entity need not reassess the lease classification for any expired or existing leases.
3. An entity need not reassess initial direct costs for any existing leases.

NOTE B – AVAILABILITY AND LIQUIDITY

As of December 31, 2022, the Organization has \$696,892 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$661,347, grants receivable of \$24,000, and other receivables of \$11,545. As of December 31, 2021, the Organization has \$448,985 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$435,279, grants receivable of \$6,775, and other receivables of \$6,931. 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 six month'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.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

NOTE C – FUNCTIONAL EXPENSES (CONTINUED)

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. For the year ended December 31, 2022, approximately 242 volunteers contributed an estimated 6,600 volunteer hours to the Organization.

NOTE E – MACHINERY AND EQUIPMENT, NET

Major classifications of machinery and equipment are summarized as follows:

	<u>2022</u>	<u>2021</u>
Computer Equipment	\$ 5,631	\$ 4,131
Machinery and Other Equipment	161,393	155,428
Furniture	6,702	6,702
Vehicles	72,869	72,869
Leasehold Improvements	66,525	15,868
Less: Accumulated Depreciation	<u>(78,938)</u>	<u>(40,252)</u>
	<u>\$ 234,182</u>	<u>\$ 214,746</u>

Total depreciation expense was \$38,686 and \$35,563 for the years ended December 31, 2022 and 2021, respectively.

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

**NOTE F – LINE OF CREDIT**

The Organization had a \$128,000 line of credit arrangement with SalemFive Bank. Interest was payable at the bank’s prime rate. The maturity date was May 1, 2021. The outstanding balance on the line of credit of \$75,000 was fully repaid during the prior year. Interest expense related to the line of credit was \$0 and \$420 for the years ended December 31, 2022 and 2021, respectively.

**NOTE G – CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash deposits at two banks. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022 and 2021, the Organization had \$305,833 and \$204,598, respectively, 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 qualifying expenses as described in the CARES Act. The loan was forgiven in full during 2021.

**NOTE I – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Salem	\$ 5,000	\$ 5,000
Capital Programs	<u>148,702</u>	<u>-</u>
	<u>\$ 153,702</u>	<u>\$ 5,000</u>

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

**NOTE J – LEASING COMMITMENTS**

The Organization has an obligation as a lessee for office space with an initial noncancelable term in excess of one year, expiring April 30, 2023. In addition, the Organization has an obligation as a lessee for storage space with an initial noncancelable term in excess of one year, expiring April 30, 2023. The Organization classified these leases as operating leases. The leases do not contain renewal options and do not include termination options for either party to the lease, or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments. In addition, the storage space lease requires the Organization to make variable payments for the real estate taxes, utilities, and other costs defined in the lease agreement. These variable lease payments are not included in lease payments used to determine lease liability and are recognized when incurred. Each of these leases was renewed subsequent to year end extending each term through November 30, 2025. As lease modifications are accounted for at the effective date of the lease modification, the payments due under these lease amendments have not been included in lease payments to determine lease liabilities.

In October 2022, the Organization entered into a lease agreement for additional office space. The lease expires October 31, 2023. As the lease is for twelve months and does not include renewal options, the Organization is treating this lease as a short-term lease, and, accordingly, has elected not to account for this lease under FASB ASC 842. The lease was renewed for an additional twelve months subsequent to year end.

The components of the lease cost for the year ended December 31, 2022 are as follows:

Operating Lease Cost	\$ 40,703
Variable Lease Cost	813
Short-term Lease Cost	<u>1,250</u>
Total Lease Cost	<u>\$ 42,766</u>

Rent expense under these leases for the year ending December 31, 2021 was \$38,255.

Amounts reported in the balance sheet as of December 31, 2022 are as follows:

Operating Lease ROU Assets	<u>\$ 16,374</u>
Operating Lease Liabilities	<u>\$ 12,957</u>

**THE SALEM PANTRY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(CONTINUED)**

NOTE J – LEASING COMMITMENTS (CONTINUED)

Other information related to leases at December 31, 2022 is as follows:

Supplemental Cash Flow Information:

Cash Paid for Operating Leases	<u>\$ 44,745</u>
Cash Paid for Variable & Short-Term Leases	<u>\$ 2,688</u>
ROU assets obtained in exchange for operating lease obligations	<u>\$ 50,867</u>
Decrease in ROU assets due to decrease in operating lease obligations	<u>\$ 37,910</u>

Weighted Average remaining lease term  
for operating leases 4 months

Weighted Average discount rate  
for operating leases 5.49%

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications, or reassessments.

Maturities of lease liabilities under noncancellable operating leases as of December 31, 2022 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2023	\$ 13,668
Less Discount	<u>(711)</u>
Total Lease Liabilities	<u>\$ 12,957</u>

The following is a schedule of minimum rental payments due under all leases, including payments due to renewals made subsequent to year end, as of December 31, 2022:

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

NOTE J – LEASING COMMITMENTS (CONTINUED)

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2023	\$ 51,655
2024	54,424
2025	<u>44,891</u>
	<u>\$ 150,970</u>

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.