

THE SALEM PANTRY, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022 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 & Scampo, LLP.

Columbia, MD
May 22, 2024

THE SALEM PANTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 700,493	\$ 819,808
Grants Receivable	191,918	70,550
Other Receivable	-	11,545
Prepaid Expenses	20,082	14,128
Property and Equipment, Net	548,311	234,182
Right-of-Use Assets	88,065	16,374
Deposits	<u>3,855</u>	<u>73,855</u>
TOTAL ASSETS	<u>\$ 1,552,724</u>	<u>\$ 1,240,442</u>
 LIABILITIES		
Accounts Payable	\$ 38,090	\$ 24,557
Payroll Liabilities	1,695	-
Line of Credit	113,238	-
Lease Liabilities	<u>89,428</u>	<u>12,957</u>
TOTAL LIABILITIES	<u>242,451</u>	<u>37,514</u>
 NET ASSETS		
Without Donor Restrictions		
Undesignated	1,256,940	1,002,917
Board Designated	<u>46,333</u>	<u>46,309</u>
Total Without Donor Restrictions	1,303,273	1,049,226
With Donor Restrictions	<u>7,000</u>	<u>153,702</u>
TOTAL NET ASSETS	<u>1,310,273</u>	<u>1,202,928</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,552,724</u>	 <u>\$ 1,240,442</u>

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

**THE SALEM PANTRY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

CHANGES IN NET ASSETS	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT			
Contributions - Cash	\$ 957,374	\$ 383,472	\$ 1,340,846
Contributions - Noncash	3,319,994	-	3,319,994
Fees for Service	14,120	-	14,120
Investment Income	3,534	-	3,534
Fundraising Events	38,538	-	38,538
Net Assets Released from Restrictions	530,174	(530,174)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>4,863,734</u>	<u>(146,702)</u>	<u>4,717,032</u>
EXPENSES			
Program Services	4,314,523	-	4,314,523
Management and General	172,156	-	172,156
Fundraising	123,008	-	123,008
TOTAL EXPENSES	<u>4,609,687</u>	<u>-</u>	<u>4,609,687</u>
NET INCREASE (DECREASE) IN NET ASSETS	254,047	(146,702)	107,345
NET ASSETS - BEGINNING	<u>1,049,226</u>	<u>153,702</u>	<u>1,202,928</u>
NET ASSETS - ENDING	<u>\$ 1,303,273</u>	<u>\$ 7,000</u>	<u>\$ 1,310,273</u>

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

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

CHANGES IN NET ASSETS	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS AND OTHER SUPPORT			
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
Debt Forgiveness	28,232	-	28,232
Net Assets Released from Restrictions	329,498	(329,498)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>3,162,352</u>	<u>148,702</u>	<u>3,311,054</u>
EXPENSES			
Program Services	2,606,792	-	2,606,792
Management and General	111,815	-	111,815
Fundraising	103,652	-	103,652
TOTAL EXPENSES	<u>2,822,259</u>	<u>-</u>	<u>2,822,259</u>
NET INCREASE IN NET ASSETS	340,093	148,702	488,795
NET ASSETS - BEGINNING	<u>709,133</u>	<u>5,000</u>	<u>714,133</u>
NET ASSETS - ENDING	<u>\$ 1,049,226</u>	<u>\$ 153,702</u>	<u>\$ 1,202,928</u>

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

THE SALEM PANTRY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>PROGRAM</u>	<u>MANAGEMENT</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising	\$ 1,292	\$ -	\$ 318	\$ 1,610
Computer and Internet	9,218	11,516	3,000	23,734
Depreciation	79,115	-	-	79,115
Dues, Subscriptions, & Licenses	3,807	1,335	-	5,142
Food	3,449,061	-	-	3,449,061
Fundraising	499	578	5,552	6,629
Insurance	8,424	4,280	764	13,468
Interest, Bank, & Credit Card Fees	86	4,384	5,784	10,254
Loss on Sale of Asset	2,596	-	-	2,596
Miscellaneous	950	651	-	1,601
Office Expense	9,113	6,449	-	15,562
Payroll, Payroll Taxes, & Employee Benefits	578,880	71,629	98,765	749,274
Postage and Shipping	5,480	2,206	-	7,686
Professional Fees	10,844	63,758	2,800	77,402
Program Supplies	23,846	-	-	23,846
Rent and Utilities	95,803	4,282	5,931	106,016
Repairs and Maintenance	12,325	50	-	12,375
Travel and Entertainment	3,453	1,038	-	4,491
Vehicle	19,731	-	94	19,825
	<u>\$ 4,314,523</u>	<u>\$ 172,156</u>	<u>\$ 123,008</u>	<u>\$ 4,609,687</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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 107,345	\$ 488,795
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	79,115	38,686
Right-of-Use Assets	4,780	(3,417)
Debt Forgiveness		
(Increase) Decrease in:		
Grants Receivable	(121,368)	(58,775)
Other Receivables	11,545	(4,614)
Prepaid Expenses	(5,954)	(1,585)
Deposits	70,000	(70,625)
Increase in:		
Accounts Payable	<u>15,228</u>	<u>7,900</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>160,691</u>	<u>396,365</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Machinery and Equipment	(393,244)	(58,122)
NET CASH USED BY INVESTING ACTIVITIES	<u>(393,244)</u>	<u>(58,122)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayments of) Proceeds from Line of Credit	<u>113,238</u>	
NET CASH USED BY INVESTING ACTIVITIES	<u>113,238</u>	<u> </u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(119,315)	338,243
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>819,808</u>	<u>481,565</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 700,493	\$ 819,808
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ <u>4,191</u>	\$ <u> </u>

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

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023, 2022 and 2021 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, 2023 for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through May 22, 2024, 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, 2023 AND 2022
(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, 2023 and 2022, 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, 2023 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, 2023 and 2022.

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, 2023 and 2022 were \$1,610 and \$8,604, respectively.

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(CONTINUED)

OTE 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 3.97% for determining its lease liability.

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(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, 2023, the Organization has \$693,540 of financial assets available within one year of the balance sheet date to meet cash needs for expenditures, consisting of cash of \$663,540 and grants receivable of \$30,000. 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. 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, 2023 AND 2022
(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, 2023, approximately 367 volunteers contributed an estimated 9,187 volunteer hours to the Organization.

NOTE E – MACHINERY AND EQUIPMENT, NET

Major classifications of machinery and equipment are summarized as follows:

	<u>2023</u>	<u>2022</u>
Computer Equipment	\$ 5,631	\$ 5,631
Machinery and Other Equipment	161,393	161,393
Furniture	9,819	6,702
Vehicles	334,339	72,869
Leasehold Improvements	188,504	66,525
Less: Accumulated Depreciation	(151,375)	(78,938)
	\$ 548,311	\$ 234,182

Total depreciation expense was \$79,115 and \$38,686 for the years ended December 31, 2023 and 2022, respectively.

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(CONTINUED)

NOTE F – LINE OF CREDIT

The Organization has a \$200,000 line of credit arrangement with North Shore Bank. Interest is payable at the bank’s prime rate. The outstanding balance on the line of credit was \$113,238 as of December 31, 2023. Interest expense related to the line of credit was \$4,191 for the year ended December 31, 2023.

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash deposits at three banks. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023 and 2022, the Organization had \$169,904 and \$305,833, 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, 2023. 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
City of Salem	\$ 7,000	\$ 5,000
Capital Programs	<u>-</u>	<u>148,702</u>
	<u>\$ 7,000</u>	<u>\$ 153,702</u>

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(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, 2023 are as follows:

Operating Lease Cost	\$ 46,030
Variable Lease Cost	-
Short-term Lease Cost	<u>7,681</u>
Total Lease Cost	<u>\$ 53,711</u>

Rent expense under these leases for the year ending December 31, 2023 was \$51,655.

Amounts reported in the balance sheet as of December 31, 2023 are as follows:

Operating Lease ROU Assets	<u>\$ 88,065</u>
Operating Lease Liabilities	<u>\$ 89,428</u>

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(CONTINUED)

NOTE J – LEASING COMMITMENTS (CONTINUED)

Other information related to leases at December 31, 2023 is as follows:

Supplemental Cash Flow Information:

Cash Paid for Operating Leases	<u>\$ 46,030</u>
Cash Paid for Variable & Short-Term Leases	<u>\$ 7,681</u>
ROU assets obtained in exchange for operating lease obligations	<u>\$ 130,128</u>
Decrease in ROU assets due to decrease in operating lease obligations	<u>\$ 40,700</u>

Weighted Average remaining lease term for operating leases	23 months
Weighted Average discount rate for operating leases	3.97%

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, 2023 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2024	\$ 92,751
Less Discount	<u>(3,323)</u>
Total Lease Liabilities	<u>\$ 89,428</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, 2023:

THE SALEM PANTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(CONTINUED)

NOTE J – LEASING COMMITMENTS (CONTINUED)

Year Ending December 31	Amount
2024	\$ 54,424
2025	<u>44,891</u>
	\$ 99,315

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.