

FRANKLIN FOOD PANTRY, INCORPORATED
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

LISCOMBE & PARRELLA, P. C.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin Food Pantry, Incorporated

We have audited the accompanying financial statements of Franklin Food Pantry, Incorporated (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, cash flows and functional expenses for the years then ended, and the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Franklin Food Pantry, Incorporated as of June 30, 2020 and 2019, 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.

Liscombe + Parrella, P.C.

Medway, Massachusetts

January 11, 2021

FRANKLIN FOOD PANTRY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	ASSETS	2020	2019
CURRENT ASSETS			
Cash & Cash Equivalents		\$ 350,300	\$ 126,325
Inventory		23,000	29,100
Prepaid Expense		<u>53,703</u>	<u>52,800</u>
Total Current Assets		<u>427,003</u>	<u>208,225</u>
PROPERTY & EQUIPMENT			
Equipment		88,274	63,537
Building		474,118	-
Construction in Progress (Renovations)		4,000	-
Accumulated Depreciation		<u>(34,941)</u>	<u>(55,856)</u>
Total Equipment, net		<u>531,451</u>	<u>7,681</u>
OTHER ASSETS			
Cash Restricted for Capital Improvements		46,181	80,000
Deposit for Equipment		<u>-</u>	<u>15,000</u>
Total Other Assets		<u>46,181</u>	<u>95,000</u>
TOTAL ASSETS		<u>\$ 1,004,635</u>	<u>\$ 310,906</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses		\$ 16,747	\$ 10,157
Current Portion of Long Term Debt		<u>8,640</u>	<u>-</u>
Total Current Liabilities		25,387	10,157
NON CURRENT LIABILITIES			
Long Term Debt		353,958	-
Refundable Advance (PPP Loan)		<u>39,092</u>	<u>-</u>
Total Non Current Liabilities		393,050	-
NET ASSETS			
Without Donor Restrictions			
Undesignated		520,843	206,156
Board Designated for Capital Projects		<u>2,923</u>	<u>75,000</u>
Net Assets without Donor Restrictions		<u>523,766</u>	<u>281,156</u>
With Donor Restrictions		<u>62,432</u>	<u>19,593</u>
Net Assets with Donor Restrictions		<u>62,432</u>	<u>19,593</u>
Total Net Assets		<u>586,198</u>	<u>300,749</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 1,004,635</u>	<u>\$ 310,906</u>

See Accompanying Notes and Independent Auditors' Report

FRANKLIN FOOD PANTRY, INCORPORATED

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Support and Revenue:		
Contributions	\$ 594,017	\$ 336,790
In Kind Contributions	253,061	386,012
Special Events	68,182	35,871
Gain on Sale of Asset	15,281	-
Interest Income	<u>370</u>	<u>590</u>
Total Support and Revenue Without Donor Restrictions	930,911	759,263
Net Assets Released from Restrictions		
Restrictions Satisfied by Payments	<u>37,613</u>	<u>31,971</u>
Total Revenue and Other Support Without Donor Restriction	<u>968,524</u>	<u>791,234</u>
Expenses:		
Program Services	660,004	698,161
Support Services	29,638	28,382
Fundraising	<u>36,272</u>	<u>57,858</u>
Total Expenses	<u>725,914</u>	<u>784,401</u>
Increase in Net Assets Without Donor Restrictions	<u>242,610</u>	<u>6,833</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and Grants	80,452	51,564
Net Assets Released from Restrictions	<u>(37,613)</u>	<u>(31,971)</u>
Increase in Net Assets With Donor Restrictions	<u>42,839</u>	<u>19,593</u>
INCREASE IN NET ASSETS	285,449	26,426
NET ASSETS AT BEGINNING OF YEAR	<u>300,749</u>	<u>274,323</u>
NET ASSETS AT END OF YEAR	<u>\$ 586,198</u>	<u>\$ 300,749</u>

See Accompanying Notes and Independent Auditors' Report

FRANKLIN FOOD PANTRY, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 285,449	\$ 26,426
Adjustments to Reconcile the Above to Net Cash		
Depreciation	13,031	4,377
Gain on sale of property plant and Equipment	(15,281)	
Contributions Restricted to Building Fund	(41,863)	
Contributions Restricted to Capital Improvements		(5,000)
(Increase) Decrease in Current Assets:		
Donation Receivable	-	52,800
Inventory	6,100	(4,300)
Prepaid Expense	(903)	(52,800)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Accrued Expenses	6,590	(270)
Net Cash Provided by Operating Activities	<u>253,123</u>	<u>21,233</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(43,683)	(15,000)
Proceeds from the Sale of Equipment	15,281	-
Building Purchase and Renovations	(114,118)	-
Net Cash Used by Investing Activities	<u>(142,520)</u>	<u>(15,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Refundable Advance - PPP Loan	39,092	-
Collections on Contributions Restricted to Building Fund	41,863	-
Contributions Restricted to Capital Improvements	-	5,000
Principal Payments on Note Payable	(1,402)	-
Net Cash Provided by Financing Activities	<u>79,553</u>	<u>5,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	190,156	11,233
CASH & CASH EQUIVALENTS - BEGINNING OF YEAR	<u>206,325</u>	<u>195,092</u>
CASH & CASH EQUIVALENTS - END OF YEAR	<u>\$ 396,481</u>	<u>\$ 206,325</u>
Supplemental Disclosures		
Cash Paid during the year for Interest	<u>\$ 2,465</u>	<u>\$ -</u>
Non-Cash Investing and Financing Activities:		
Acquisition of Building	\$ 364,000	\$ -
Note Payable on Building	(364,000)	-
Reconciliation to Cash and Cash Equivalents and Restricted Cash Reported Within the Statements of Financial Position:		
Cash and Cash Equivalents	\$ 350,300	\$ 126,325
Cash Restricted for Capital Improvements	46,181	80,000
Total Cash and Restricted Cash	<u>\$ 396,481</u>	<u>\$ 206,325</u>

See Accompanying Notes and Independent Auditors' Report

FRANKLIN FOOD PANTRY, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund Raising</u>	<u>Total</u>
Wages	\$ 179,789	\$ 6,500	\$ 22,750	\$ 209,039
Motor Vehicle Expenses	2,709	-	-	2,709
Food and Assistance	365,035	-	-	365,035
Insurance	3,542	2,828	-	6,370
Postage	1,215	-	-	1,215
Repairs and Maintenance	7,739	259	129	8,127
Depreciation	13,031	-	-	13,031
Payroll Taxes	17,330	649	2,270	20,249
Payroll Service Fees	1,243	-	-	1,243
Telephone	1,079	127	63	1,269
Office	9,614	1,855	2,189	13,658
Professional Fees	-	10,526	-	10,526
Mortgage Interest	2,095	247	123	2,465
Small Equipment	38	-	-	38
Supplies	1,606	-	-	1,606
Advertising	820	273	-	1,093
Conferences and Meetings	-	125	-	125
Special Events Expense	-	-	5,623	5,623
Utilities	7,321	861	431	8,613
Rent	<u>45,798</u>	<u>5,388</u>	<u>2,694</u>	<u>53,880</u>
Total Expenses	<u>\$ 660,004</u>	<u>\$ 29,638</u>	<u>\$ 36,272</u>	<u>\$ 725,914</u>

See Accompanying Notes and Independent Auditors' Report

FRANKLIN FOOD PANTRY, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Support Services</u>	<u>Fund Raising</u>	<u>Total</u>
Wages	\$ 140,213	\$ 8,352	\$ 29,232	\$ 177,797
Employee Benefits	8,928	-	-	8,928
Motor Vehicle Expenses	2,736	-	-	2,736
Food and Assistance	452,231	-	-	452,231
Insurance	2,491	1,455	-	3,946
Postage	1,252	-	-	1,252
Repairs and Maintenance	3,924	332	153	4,409
Depreciation	4,377	-	-	4,377
Payroll Taxes	15,519	924	3,235	19,678
Payroll Service Fees	1,121	-	-	1,121
Telephone	1,411	166	83	1,660
Office	4,268	2,218	1,818	8,304
Professional Fees	-	7,920	-	7,920
Small Equipment	2,914	-	-	2,914
Supplies	2,871	-	-	2,871
Advertising	994	349	-	1,343
Conferences and Meetings	-	440	-	440
Special Events Expense	-	-	3,905	3,905
Annual Appeal Expense	-	-	16,321	16,321
Utilities	7,763	913	457	9,133
Rent	<u>45,148</u>	<u>5,313</u>	<u>2,654</u>	<u>53,115</u>
Total Expenses	<u>\$ 698,161</u>	<u>\$ 28,382</u>	<u>\$ 57,858</u>	<u>\$ 784,401</u>

See Accompanying Notes and Independent Auditors' Report

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE 1 ORGANIZATION

Franklin Food Pantry, Incorporated, a food pantry located in Franklin, Massachusetts, was organized in 1995 as a not-for-profit corporation. The Organization's purpose is to provide assistance to families in need of food, clothing and other household items, through alliances with other local human service organizations. The Organization maintains operations through local donations, grants and other contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Adoption of New Financial Reporting Standard

In fiscal year 2020, the Organization adopted ASU No. 2018-08, Not For Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. One a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as wither net assets with or without donor restrictions. The adoption of this standard for the year ended June 30, 2020 did not result in a change to the accounting for the Organization's revenue for the fiscal year ended June 30, 2020 and 2019. Management believes the standard improves the usefulness and understandability of the Organizations financial reporting.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Financial Reporting Standard

Additionally, the Organization adopted FASB's ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash as of June 30, 2020. This ASU amends the presentation of restricted cash within the statement of cash flows. The new guidance requires that restricted cash be added to cash for purposes of the statement of cash flows.

The adoption of ASU 2016-18 resulted in the following changes to the Organization's cash flow classification as of June 30, 2020:

<u>Statement of Cash Flows</u>	<u>2019 As Previously Reported</u>	<u>Effect of Adoption</u>	<u>2019 As Restated</u>
Operating Activities	\$ 21,233	\$ -	\$ 21,233
Investing Activities	(20,000)	5,000	(15,000)
Financing Activities	5,000	-	5,000
Net Change in Cash and Restricted Cash	<u>\$ 6,233</u>	<u>\$ 5,000</u>	<u>\$ 11,233</u>

Financial Statement Presentation

The Organization presents information regarding its financial position and activities according to two classifications of net assets as follows:

Without Donor Restrictions – Net assets that are not subject to donor imposed stipulations over which the Organization's Board of Directors (the Board) has discretionary control. The Board may elect to designate such resources for specific purposes. These designations may be removed at the Board's discretion.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

With Donor Restrictions – Net assets with donor restrictions include resources accumulated through donations or grants for specific operating or capital purposes, or are subject to the restriction in perpetuity that the principal be invested. Investment income may be reported as either with or without donor restrictions when earned, determined according to gift instruments. The Organization currently has no net assets with perpetual restrictions.

Cash and Cash Equivalents

For the purpose of these financial statements, management considers equivalent to cash all money market funds and other deposits with an original maturity of ninety days or less from date of purchase. Cash equivalents are stated at cost which approximates market.

Inventory

Inventory consists of food and is tracked by the pound. The pounds of food are valued based on a standard rate used by the Organization.

Other Assets - Cash Restricted for Capital Improvements

Cash restricted for capital improvements is restricted by either the Board or Donors and is not available for operating purposes. Cash restricted for capital improvements as of June 30, 2020 and 2019 is as follows:

	2020	2019
Board Designated	\$ 2,923	\$ 75,000
Donor Designated	1,395	5,000
Capital Campaign	41,863	-
Total Cash Restricted for Capital Improvements	<u>\$ 46,181</u>	<u>\$ 80,000</u>

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expense Allocations

Expenses related directly to a program or supporting function are distributed to that program or supporting function, while other expenses are allocated to programs or supporting functions based on management's estimate of the percentage attributable to each function. The expenses that are allocated include payroll related expenses which are allocated based on an estimate of time and level of effort spent on the Organization's program, supporting and fundraising functions and rent and occupancy expenses which are allocated based upon space used by each function.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Equipment is stated at cost. Depreciation is calculated using the declining balance method over their estimated useful lives. Expenditures for major renewals are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for 2020 and 2019 was \$13,031 and \$4,377, respectively.

In April 2020, the Organization purchased a new facility to serve as the center of its operations. The building needs to be renovated in order for the Organization to conduct its activities. Once the renovations are complete, the costs associated with acquiring and renovating the building will be capitalized.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 3 INCOME TAXES

The Organization qualifies as a tax exempt organization under the Internal Revenue Code, Section 501 (c) (3) and, accordingly, is not subject to federal income taxes.

The Organization is also exempt from Massachusetts income taxes. The Organization's Forms 990 for the years ending 2017, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 4 LICENSE AGREEMENT

The Organization renewed a license agreement with a local bank for the right to use a bank owned facility for the purpose of conducting the Organization's activities. The bank agreed to contribute \$52,800 annually which the Organization will apply to lease payments for the respective year. At June 30, 2020 and 2019 the rent expense was \$53,880 and \$53,115, respectively.

NOTE 5 IN KIND CONTRIBUTIONS

The Organization receives In-Kind donations of food and household items from local supermarkets and individuals. The Organization weighs the donations and assigns a value based upon an analysis performed for and published by Feeding America of Washington, D.C. the nation's leading domestic hunger-relief charity. The Organization reviewed the value assigned to food donations and determined the value for 2020 should be \$1.69 per pound. The value used for 2019 was \$1.69 per pound.

NOTE 6 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through January 11, 2021, the date the financial statements were available to be issued.

In March 2020, the COVID-19 outbreak in the United States has resulted in the closures of many businesses and a marked reduction in economic activity. While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 7 REFUNDABLE ADVANCE (PPP LOAN)

In 2020, the Organization received loan proceeds in the amount of \$39,092 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly business expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of the PPP loan is payable over two to five years at an interest rate of 1%, with a deferral of payment for 10 months after the end of the covered period.

To the extent that the Organization is not granted forgiveness, it will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application of forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 15, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a refundable advance in accordance with FASB ASC 958-605 "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*" and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 8 NOTE PAYABLE

In April 2020, the Organization entered into a secured long-term note agreement with a bank for \$364,000. The agreement is collateralized by a security interest in certain real estate. The note is dated April 17, 2020 maturing on March 17, 2045 and bears interest at a rate of 4.0590% per annum. Principal and interest are payable in monthly installments of \$1,933 through March 2045. Borrowings outstanding under the agreement at June 30, 2020 and 2019 amounted to \$362,598 and \$ -, respectively.

Maturities of long term debt for each of the five years succeeding June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 8,640
2022	8,998
2023	9,370
2024	9,757
2025	10,161
Thereafter	315,672
	<u>\$ 362,598</u>

NOTE 9 RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

The Organization received grants and donations totaling \$80,452 and \$51,564 as of June 30, 2020 and 2019, respectively. These grants were designated by the grantor for either certain operating purposes or capital improvements and have been designated at *Net Assets With Donor Restrictions*. The balances as of June 30, 2020 and 2019 are as follows:

	2020	2019
Beginning Balance	\$ 19,593	\$ -
Contributions with Donor Restrictions:		
Operating Purposes	\$ 38,589	\$ 45,375
Capital Fund	41,863	6,189
Total Contributions received with Donor Restrictions	80,452	51,564
Appropriated for expenditure during the year		
Food / Other Purchases	\$ (27,606)	\$ (30,782)
Personnel	(2,653)	
Facilities and Equipment	(7,354)	(1,189)
Total appropriated for expenditure during the year	(37,613)	\$ (31,971)
Ending Balance	\$ 62,432	\$ 19,593

FRANKLIN FOOD PANTRY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

(Continued)

NOTE 11 LIQUIDITY AND AVAILABILITY

The Organization has the following financial assets available to meet cash needs for general operating expenditures within one year as of June 30, 2020 and 2019:

	2020	2019
Cash (Checking, Savings)	\$ 396,481	\$ 206,325
Less: Designated for Capital Projects		
Board Designated	\$ (2,923)	\$ (75,000)
Donor Designated	<u>(43,258)</u>	<u>(5,000)</u>
Total Designated for Capital Projects	(46,181)	(80,000)
Total financial assets available to meet cash needs	<u>\$ 350,300</u>	<u>\$ 126,325</u>

The Organization monitors its cash position on a regular basis to ensure that adequate funds are available for general expenditures. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market bank accounts.