

ARLINGTON EATS, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Audit)

JUNE 30, 2020

ARLINGTON EATS, INC.
ARLINGTON, MASSACHUSETTS
(A Non-Profit Corporation)

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To the Board of Directors of
Arlington EATS, Inc.
Arlington, Massachusetts

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Arlington EATS, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Arlington EATS, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Quincy, Massachusetts
February 4, 2021

ARLINGTON EATS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 922,444
Contributions Receivable	11,031
Investments (Note 2 & 4)	238,967
Prepaid expenses	<u>5,406</u>
Total Current Assets	<u>1,177,848</u>

PROPERTY AND EQUIPMENT (Note 2 & 5):

Equipment	24,205
Building Improvements - Work in Process	<u>50,691</u>
	74,896
Less - Accumulated Depreciation	<u>(3,429)</u>
Net Property and Equipment	<u>71,467</u>

TOTAL ASSETS \$ 1,249,315

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 341
Accrued Expenses	<u>9,275</u>
Total Current Liabilities	9,616

OTHER LIABILITIES:

Loan Payable - SBA (Note 6)	<u>22,325</u>
Total Other Liabilities	22,325
Total Liabilities	<u>31,941</u>

NET ASSETS (Note 2, 8, & 10):

Without Donor Restrictions	
Undesignated	920,230
Designated by Board for Capital Campaign	<u>297,144</u>
Total Without Donor Restrictions	<u>1,217,374</u>
Total Net Assets	<u>1,217,374</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,249,315

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

ARLINGTON EATS, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND GAINS (Note 2 & 4):			
Contributions	\$ 764,805	\$ 24,843	\$ 789,648
Grants	21,000	-	21,000
Fundraising Events	76,472	-	76,472
Investment Income	10,159	-	10,159
Gain (Loss) on Investments - Realized	4,728	-	4,728
Gain (Loss) on Investments - Unrealized	2,215	-	2,215
In-Kind Contributions	314,627	-	314,627
Total Revenues, Gains, and Other Support	<u>1,194,006</u>	<u>24,843</u>	<u>1,218,849</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 8)	<u>59,736</u>	<u>(59,736)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	1,253,742	(34,893)	1,218,849
EXPENSES:			
Program	261,918	-	261,918
Program - In-Kind Food Distributed	314,627	-	314,627
Total Program	<u>576,545</u>	<u>-</u>	<u>576,545</u>
General and Administrative	108,037	-	108,037
Fundraising	81,830	-	81,830
Total Expenses	<u>766,412</u>	<u>-</u>	<u>766,412</u>
CHANGE IN NET ASSETS	487,330	(34,893)	452,437
NET ASSETS - BEGINNING OF YEAR	<u>730,044</u>	<u>34,893</u>	<u>764,937</u>
NET ASSETS - END OF YEAR	<u>\$ 1,217,374</u>	<u>\$ -</u>	<u>\$ 1,217,374</u>

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

ARLINGTON EATS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 83,309	\$ 40,633	\$ 11,523	\$ 135,465
Employee Benefits	11,059	6,715	1,975	19,749
Payroll Taxes	7,296	3,581	1,016	11,893
Food & Supplies	107,536	-	-	107,536
Community Partnerships	14,481	-	-	14,481
Auto Expense	3,548	-	-	3,548
Depreciation	2,301	-	-	2,301
Program Expenses - Other	7,886	-	-	7,886
Repairs & Maintenance	4,323	-	-	4,323
Rent	9,360	12,000	-	21,360
Consultants	10,628	29,260	29,750	69,638
Office Expenses	-	6,694	-	6,694
Printing	191	178	13,360	13,729
Insurance	-	5,144	-	5,144
Administrative - Other	-	3,832	1,103	4,935
Fundraising Expenses	-	-	23,103	23,103
	261,918	108,037	81,830	451,785
Food - In-Kind (Note 2)	314,627	-	-	314,627
Totals	<u>\$ 576,545</u>	<u>\$ 108,037</u>	<u>\$ 81,830</u>	<u>\$ 766,412</u>

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

ARLINGTON EATS, INC.
STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Increase (Decrease) in Cash & Cash Equivalents	
Change in Net Assets	\$ 452,437
Non-Cash Items Related to Operations Included in Net Assets:	
Depreciation	2,301
Contribution of Marketable Equity Security	(2,610)
Unrealized Gains on Investments	(2,215)
Cash Flows from Operating Activities:	
Change in Contribution Receivable	(8,181)
Change in Prepaid Expenses	(1,306)
Change in Accounts Payable & Accrued Expenses	<u>2,394</u>
Net Cash Provided by Operating Activities	442,820
Cash Flows from Investing Activities:	
Proceeds from Sale of Investments	74,653
Purchase of Investments	(83,078)
Purchase of Property & Equipment	<u>(54,297)</u>
Net Cash Provided by (Used in) Investing Activities	(62,722)
Cash Flows from Financing Activities:	
Receipt of Loan Payable - SBA	<u>22,325</u>
Net Cash Provided by (Used in) Financing Activities	<u>22,325</u>
Net Change in Cash	402,423
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>520,021</u>
Cash and Cash Equivalents and Restricted Cash - End of Year	<u><u>\$ 922,444</u></u>

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

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2020

1. Organization and Nature of Activities

Arlington EATS, Inc., a non-profit organization, was incorporated on September 9, 2015 under the laws of the Commonwealth of Massachusetts and annually files Form 990 with the IRS and Form PC with the Commonwealth of Massachusetts. The Organization was formed for the purpose of eliminating food insecurity by providing nutritious food, meals, and snacks to any Arlington resident in need. The principal sources of support are traditional contributions from individuals and local organizations and in-kind food donations from the Greater Boston Food Bank, other organizations, and individuals.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

B. Cash, Cash Equivalents and Concentration of Risk

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents unless held for investment. The Organization maintains some of its cash in bank deposit accounts, which at times may exceed federally insured limits; however, these deposits continue to be covered by The Massachusetts Depositors Insurance Fund. The Organization has not experienced any losses in such accounts, and management believes that it is not exposed to any significant credit risk on cash or cash equivalents.

C. Contributions and Pledge Receivable

The Organization reports unconditional promises to give as contributions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Management considers receivables as of June 30, 2020 to be fully collectible.

D. Accounting for Investments

The Organization follows ASC 958-320 for investments in debt and equity securities with readily determinable fair values which are measured at fair value upon acquisition if contributed or at cost if purchased. Gains, losses, dividends, interest, and other related income from these securities are reported as investment income and realized or unrealized gains and losses in the Statement of Activities.

E. Property and Equipment

The Organization records the acquisition of property and equipment at cost (if purchased) or fair market value (if contributed). Depreciation is computed based upon the estimated useful lives of the assets using the straight-line method. Expenses for maintenance and repairs are charged to operations as incurred.

F. Income Taxes

The Corporation qualifies as a tax-exempt organization other than a private foundation under section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2020

2. Summary of Significant Accounting Policies – (Continued)

G. Functional Allocation of Expenses

Expenses are charged directly to Program, Administrative, or Fundraising in general categories based on specific identification. Certain employee benefits and payroll taxes have been allocated based on salary expenditures.

H. Financial Statement Presentation

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:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets the governing board has designated, from net assets without donor restrictions, for an operating or other board-designated purpose.

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.

I. Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. All measurements of fair value during the fiscal year and as of June 30, 2020 used Level 1 inputs.

The primary uses of fair value measures in the Organization's financial statements are the initial measurement of noncash gifts, including gifts of investment assets, and the recurring measurement of short-term investments.

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2020

2. Summary of Significant Accounting Policies – (Continued)

J. Use of Estimates

The preparation of the 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 vary from those estimates.

K. Advertising Costs

Advertising costs, if any, are charged to operations as incurred.

L. Donated Goods & Services

The Organization reports the fair value of donated food and related items as unrestricted public support and then, shortly thereafter, as expense when distributed to individuals participating in the Organization's food programs. During the year ended June 30, 2020, the Organization distributed approximately 187,277 pounds of donated product. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.68 during 2019, was based on a study performed by Feeding America. The dollar value of \$314,627 for the fiscal year ended June 30, 2020 is reported in the accompanying financial statements as Food In-Kind.

In-kind inventory for the Organization's food programs is not recorded in the statement of financial position, because a method of consistently recording its value has been determined as arbitrary and immaterial to the financial statements. In addition, a number of individuals and other organizations have made in-kind donations or volunteered their services to the Organization. For those services that do not require special expertise, no estimated value appears in the financial statements.

M. Support from Major Contributor

For the year ended June 30, 2020, the Organization received approximately 14% of total revenues and support from one contributor, The Greater Boston Food Bank. This contribution was in the form of donated food.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 922,444
Investments	238,967
Contributions receivable	<u>11,031</u>
Total	\$1,172,442

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2020

4. Investments

Investments, all publicly traded, are composed of the following at June 30, 2020:

	<u>Market</u>	<u>Cost</u>
Mutual funds – equity funds	\$ 144,051	\$ 138,353
Mutual funds – bond funds	92,538	89,197
Money market fund	<u>2,378</u>	<u>2,378</u>
Total	\$ 238,967	\$ 229,928

Investment return for the year ended June 30, 2020 was as follows:

Dividends, net of fees	\$ 3,697
Realized gain	4,728
Unrealized gain	<u>2,215</u>
Total	\$ 10,640

5. Property and Equipment

Property owned by the Organization is equipment including computers and appliances for food storage and distribution. As of June 30, 2020, the Organization had paid out \$50,691 of architectural design costs for the future build-out of its new food pantry facility. The total design and construction costs of near \$1,000,000 are expected to be funded by Capital Campaign contributions and a Community Development Block Grant through the Town of Arlington.

6. Loan Payable – SBA – (Paycheck Protection Program)

In May, 2020, the Organization received a loan through the Small Business Administration of \$22,325 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The funds were provided for the continuity and stability of payroll, group insurance benefits, and certain limited rent, utilities, and mortgage interest payments. Funds used for such purposes may be forgiven in full in the future.

7. Retirement Plan

The Organization has adopted a Simple IRA voluntary salary reduction retirement plan. All employees are eligible to participate. For the year ended June 30, 2020, the Organization made matching employer contributions in the amount of \$3,574.

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2020

8. Net Assets with Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Capital Campaign	\$ 50,984
School Lunch Debts	6,472
Summer Lunches	1,951
Snack Program	<u>329</u>
Net Assets released from Restrictions	\$ 59,736

There were no remaining net assets with donor restrictions as of June 30, 2020.

9. Revised Financial Statement Balance for the Year Ended June 30, 2020

The June 30, 2019 balance of net assets with donor restriction has been revised within the current year financial statement to report \$34,893 of beginning net assets with donor restriction for the purpose of a Capital Campaign. This revision is shown within the Statement of Activities.

10. Commitments and Contingencies

The Organization has made a public commitment and initiated a Capital Campaign, including securing a Community Development Block Grant of \$332,000, to raise over \$1,000,000 to renovate and furnish their facility at 117 Broadway. Reserves held at June 30, 2020 and subsequent gifts and grants received subsequent to June 30, 2020 but prior to the issuance date of these financial statements total more than \$900,000.

In April, 2020, the Board designated \$300,000 to help fund the Capital Campaign. As of June 30, 2020, \$2,856 was disbursed from the designated funds.

The outbreak of the novel coronavirus disease (COVID-19) may affect the Organization's operations and finances. The ultimate disruption which may be caused by COVID-19 is very uncertain. However, it may result in a material adverse impact on the Arlington EATS, Inc.'s financial position, operations, and cash flows. The specific impact is not readily determinable, and the financial statements do not include any adjustments that might result from this uncertainty.

11. Subsequent Events

The corporate management has reviewed subsequent events through February 4, 2021, the date the financial statements were available to be issued.