

ARLINGTON EATS, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Audit)

JUNE 30, 2021

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

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Brent Richardson, CPA

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

INDEPENDENT AUDITOR'S REPORT

Opinion

I have audited the accompanying financial statements of Arlington EATS, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2020 financial statements and, in our report dated February 4, 2021, we expressed an unmodified opinion on those financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arlington EATS, Inc. as of June 30, 2021 and 2020, 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

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

My 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 my 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, I:

- 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 Arlington EATS, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arlington EATS, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.



Brent Richardson, CPA
Quincy, Massachusetts
May 6, 2022

ARLINGTON EATS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,585,217	\$ 922,444
Grants Receivable (Note 6 & 10)	392,734	11,031
Pledges Receivable (Note 2)	27,043	-
Investments (Note 2 & 4)	314,943	238,967
Prepaid expenses	<u>4,008</u>	<u>5,406</u>
Total Current Assets	2,323,945	1,177,848
PROPERTY AND EQUIPMENT (Note 2 & 5):		
Equipment	24,205	24,205
Building Improvements - Work in Process	<u>170,788</u>	<u>50,691</u>
	194,993	74,896
Less - Accumulated Depreciation	<u>(5,850)</u>	<u>(3,429)</u>
Net Property and Equipment	<u>189,143</u>	<u>71,467</u>
TOTAL ASSETS	<u>\$ 2,513,088</u>	<u>\$ 1,249,315</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 1,109	\$ 341
Accrued Expenses	<u>17,664</u>	<u>9,275</u>
Total Current Liabilities	18,773	9,616
OTHER LIABILITIES:		
Loan Payable - SBA (Note 7)	-	22,325
Total Liabilities	<u>18,773</u>	<u>31,941</u>
NET ASSETS (Note 2, 9 & 10):		
Without Donor Restrictions		
Undesignated	1,513,229	920,230
Designated by Board for Capital Campaign	<u>297,144</u>	<u>297,144</u>
Total Without Donor Restrictions	1,810,373	1,217,374
With Donor Restrictions	<u>683,942</u>	<u>-</u>
Total Net Assets	<u>2,494,315</u>	<u>1,217,374</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,513,088</u>	<u>\$ 1,249,315</u>

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

ARLINGTON EATS, INC.

STATEMENT OF ACTIVITIES

For the years ended June 30, 2021 and 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUES AND GAINS (Note 2 & 4):				
Contributions	\$ 760,417	\$ 40,012	\$ 800,429	\$ 773,557
Contribution - Marketable Securities	11,160	-	11,160	-
Grants	5,000	-	5,000	21,000
Fundraising Events - (Net of \$6,678 Direct Costs)	58,424	-	58,424	76,472
Fundraising - Capital Campaign (Note 10)	-	848,387	848,387	16,091
Investment Income - (Note 4)	7,220	-	7,220	10,159
Gain (Loss) on Investments - Realized	12,408	-	12,408	4,728
Gain (Loss) on Investments - Unrealized	49,101	-	49,101	2,215
SBA / PPP Loan Forgiveness - (Note 7)	22,325	-	22,325	-
In-Kind Contributions - Food - (Note 2)	559,818	-	559,818	314,627
	<u>1,485,873</u>	<u>888,399</u>	<u>2,374,272</u>	<u>1,218,849</u>
Net Assets Released from Restriction:				
Restrictions Satisfied by Payments (Note 9)	<u>204,457</u>	<u>(204,457)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	1,690,330	683,942	2,374,272	1,218,849
EXPENSES:				
Program	322,230	-	322,230	261,918
Program - In-Kind Food Distributed - (Note 2)	559,818	-	559,818	314,627
Total Program	<u>882,048</u>	<u>-</u>	<u>882,048</u>	<u>576,545</u>
General and Administrative	82,651	-	82,651	108,037
Fundraising	<u>132,632</u>	<u>-</u>	<u>132,632</u>	<u>81,830</u>
Total Expenses	<u>1,097,331</u>	<u>-</u>	<u>1,097,331</u>	<u>766,412</u>
CHANGE IN NET ASSETS	592,999	683,942	1,276,941	452,437
NET ASSETS - BEGINNING OF YEAR	<u>1,217,374</u>	<u>-</u>	<u>1,217,374</u>	<u>764,937</u>
NET ASSETS - END OF YEAR	<u>\$ 1,810,373</u>	<u>\$ 683,942</u>	<u>\$ 2,494,315</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 years ended June 30, 2021 and 2020

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>2021 TOTALS</u>	<u>2020 TOTALS</u>
Salaries & Wages	\$ 103,865	\$ 27,058	\$ 28,288	\$ 159,211	\$ 135,465
Employee Benefits	21,672	5,081	5,311	32,064	19,749
Payroll Taxes	12,713	2,981	3,115	18,809	11,893
Food & Supplies	113,311	-	-	113,311	107,536
Community Partnerships	34,325	-	-	34,325	14,481
Auto Expense	9,297	-	-	9,297	3,548
Depreciation	2,421	-	-	2,421	2,301
Program Expenses - Other	7,051	-	-	7,051	7,886
Repairs & Maintenance	1,182	-	-	1,182	4,323
Rent	12,000	13,200	-	25,200	21,360
Consultants	-	21,785	42,750	64,535	69,638
Office Expenses	1,955	5,275	3,063	10,293	6,694
Printing	475	-	7,944	8,419	13,729
Insurance	1,963	2,480	-	4,443	5,144
Administrative - Other	-	4,791	-	4,791	4,935
Fundraising - General	-	-	12,853	12,853	23,103
Fundraising Capital Campaign	-	-	29,308	29,308	-
	<u>322,230</u>	<u>82,651</u>	<u>132,632</u>	<u>537,513</u>	<u>451,785</u>
Food - In-Kind (Note 2)	<u>559,818</u>	<u>-</u>	<u>-</u>	<u>559,818</u>	<u>314,627</u>
Totals	<u>\$ 882,048</u>	<u>\$ 82,651</u>	<u>\$ 132,632</u>	<u>\$ 1,097,331</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 years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Increase (Decrease) in Cash & Cash Equivalents		
Change in Net Assets	\$ 1,276,941	\$ 452,437
Non-Cash Items Related to Operations Included in Net Assets:		
Depreciation	2,421	2,301
Contribution of Marketable Equity Security	(11,160)	(2,610)
Forgiveness of Loan Payable - SBA	(22,325)	-
Unrealized Gains on Investments	(49,101)	(2,215)
Cash Flows from Operating Activities:		
Change in Grant and Pledge Receivables	(408,746)	(8,181)
Change in Prepaid Expenses	1,398	(1,306)
Change in Accounts Payable & Accrued Expenses	9,157	2,394
Net Cash Provided by Operating Activities	798,585	442,820
Cash Flows from Investing Activities:		
Proceeds from Sale of Investments	33,740	74,653
Purchase of Investments	(49,455)	(83,078)
Purchase of Property & Equipment	(120,097)	(54,297)
Net Cash (Used in) Investing Activities	(135,812)	(62,722)
Cash Flows from Financing Activities:		
Receipt of Loan Payable - SBA	-	22,325
Net Cash Provided by (Used in) Financing Activities	-	22,325
Net Change in Cash	662,773	402,423
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	922,444	520,021
Cash and Cash Equivalents and Restricted Cash - End of Year	\$ <u>1,585,217</u>	\$ <u>922,444</u>

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

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2021

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, 2021 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, 2021

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 years and as of June 30, 2021 and 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.

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.

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies – (Continued)

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. The Organization distributed approximately 321,734 and 187,277 pounds of donated product, in fiscal years June 2021 and 2020, respectively. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.74 during 2020 (\$1.68 during 2019), was based on a study performed by Feeding America. The dollar value of \$559,818 and \$314,627, for the fiscal years ended June 30, 2021 and 2020 respectively, 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, 2021, the Organization received approximately 15% of total revenues and support from one contributor, The Greater Boston Food Bank. This contribution was in the form of donated food.

N. Adoption of Recent Accounting Guidance

During the year ended June 30, 2021, the Corporation implemented ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance to determine whether certain transactions, such as contracts or grants, constitute either a contribution or an exchange transaction (ie ASU 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Accordingly, the beginning balances of the net assets, receivables, and payables were re-assessed but no adjustment was required.

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 631,174	\$ 922,444
Investments	<u>314,943</u>	<u>238,967</u>
Total	\$ 946,117	\$1,161,411

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2021

4. Investments

Investments, all publicly traded, are composed of the following at June 30, 2021 and 2020:

	<u>2021</u>			<u>2020</u>		
	<u>Market</u>	<u>Unrealized Appreciation</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>	<u>Cost</u>
Mutual funds - equity funds	\$ 194,664	\$ 55,122	\$ 139,542	\$ 144,051	\$ 138,353	\$ 5,698
Mutual funds - bond funds	115,356	3,019	112,337	92,538	89,197	3,341
Money market fund	<u>4,923</u>	<u>-</u>	<u>4,923</u>	<u>2,378</u>	<u>2,378</u>	<u>-</u>
Total	\$ 314,943	\$ 58,141	\$ 256,802	\$ 238,967	\$ 229,928	\$ 9,039

Investment return for the years ended June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Dividends, net of fees	\$ 3,977	\$ 3,697
Capital gain distributions	2,938	-
Realized gain on sales	9,470	4,728
Unrealized gain	49,101	2,215
Fees paid	(670)	-
Total	\$64,816	\$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, 2021, the Organization had paid out \$170,788 of architectural design and other 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. Grants Receivable

In September, 2020, the Organization received a Community Development Block grant through the Town of Arlington, MA of \$332,437 for the design and construction of their building facility. In March, 2021, the Organization received a Food Security Infrastructure Grant through the Massachusetts Executive Office of Energy and Environmental Affairs of \$49,230 for the purchase of a refrigerated van for its food distribution and delivery program. Each grant has been extended multiple times to facilitate the actual execution and fulfillment of their purposes. The full balance of each grant is receivable as of June 30, 2021.

7. Revenue - SBA / PPP Loan Payable Forgiven

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. The loan of \$22,325 was forgiven in February 2021, and thus reported as revenue within the Statement of Activities.

ARLINGTON EATS, INC.

Notes to Financial Statements

June 30, 2021

8. Retirement Plan

The Organization has adopted a Simple IRA voluntary salary reduction retirement plan. All employees are eligible to participate. For the years ended June 30, 2021 and 2020, the Organization made matching employer contributions in the amounts of \$5,180 and \$3,574 respectively.

9. 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:

	<u>2021</u>	<u>2020</u>
Capital Campaign	\$165,361	\$50,984
COVID Programs	38,793	-
School Lunch Debts	-	6,472
Summer Lunches	-	1,951
Snack Program	-	329
Farmer's Market	<u>303</u>	<u>-</u>
Net Assets released from Restrictions	\$204,457	\$59,736

Net assets with donor restrictions of \$683,942 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Capital Improvements - Facility	\$683,026	\$ -
Farmer's Market	<u>916</u>	<u>-</u>
Donor Restricted Net Assets Available	\$683,942	\$ -

10. Commitments and Contingencies

The Organization has made a public commitment and initiated a Capital Campaign, including securing a Community Development Block Grant of \$332,437, to raise over \$1,000,000 to renovate and furnish their facility at 117 Broadway. Reserves held at June 30, 2021, after the \$170,788 of costs incurred, is \$953,127.

In April, 2020, the Board designated \$300,000 to help fund the Capital Campaign. As of June 30, 2021, \$2,856 was disbursed from the designated funds. \$297,144 remains designated at June 30, 2021.

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 May 6, 2022, the date of the financial statements.