

Arlington Eats, Inc.

Financial Statements and Independent Auditor's Report

June 30, 2025



Arlington Eats, Inc.

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June 30, 2025

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Independent Auditor's Report

To the Board of Directors
Arlington Eats, Inc.

Opinion

We have audited the financial statements of Arlington Eats, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arlington Eats, Inc. as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Arlington Eats, 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 Arlington Eats, Inc.'s ability to continue as a going concern for 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 GAAS 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 GAAS, 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 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 our 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.

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.

Nash CPAs, LLC

Nash CPAs, LLC

Norwood, MA

February 6, 2026

Arlington Eats, Inc.

Statement of Financial Position

June 30, 2025

ASSETS

Current Assets

Cash and cash equivalents	\$	855,763
Investments		433,831
Grants receivable		17,320
Pledges receivable, short term		1,000
Prepaid expenses		<u>3,864</u>
Total current assets		<u>1,311,778</u>

Fixed Assets

Leasehold improvements		1,513,106
Refrigeration equipment		8,913
Market equipment		14,184
Computer equipment		1,108
Vehicles		<u>66,725</u>
Total fixed assets		1,604,036
Less: accumulated depreciation		<u>(358,407)</u>
Total net fixed assets		<u>1,245,629</u>

Other Assets

Pledges receivable, long term		4,000
Right of use asset - operating lease		<u>685,372</u>
Total other assets		<u>689,372</u>
Total Assets	\$	<u><u>3,246,779</u></u>

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

Arlington Eats, Inc.

Statement of Financial Position – Continued

June 30, 2025

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	18,868
Accrued expenses		35,939
Deferred revenue		30,000
Operating lease liabilities, current		<u>37,024</u>
Total current liabilities		<u>121,831</u>

Long Term Liabilities

Operating lease liability, long term		<u>694,902</u>
Total long term liabilities		<u>694,902</u>
Total liabilities		<u>816,733</u>

Net Assets

Net assets without donor restrictions - undesignated		2,320,046
Board designated - capital improvement reserve		100,000
Net assets with donor restrictions		<u>10,000</u>
Total net assets		<u>2,430,046</u>
Total Liabilities and Net Assets	\$	<u><u>3,246,779</u></u>

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

Arlington Eats, Inc.

Statement of Activities

Year Ended June 30, 2025

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 903,932	\$ -	\$ 903,932
In-kind contributions	1,086,984	-	1,086,984
Special events, net of fundraising expenses amounting to \$64,474	149,417	-	149,417
Investment income, net	41,387	-	41,387
Other income	25,111	-	25,111
Net assets released from restrictions	15,000	(15,000)	-
	<u>2,221,831</u>	<u>(15,000)</u>	<u>2,206,831</u>
Total revenue and support			
Expenses			
Program services	1,819,074	-	1,819,074
Administration	201,021	-	201,021
Fundraising	190,928	-	190,928
	<u>2,211,023</u>	<u>-</u>	<u>2,211,023</u>
Total expenses			
Total change in net assets	<u>10,808</u>	<u>(15,000)</u>	<u>(4,192)</u>
Net Assets at Beginning of Year	<u>2,409,238</u>	<u>25,000</u>	<u>2,434,238</u>
Net Assets at End of Year	<u>\$ 2,420,046</u>	<u>\$ 10,000</u>	<u>\$ 2,430,046</u>

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

Arlington Eats, Inc.

Statement of Functional Expenses

Year Ended June 30, 2025

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 223,627	\$ 46,630	\$ 53,891	\$ 324,148
Payroll benefits	-	46,959	-	46,959
Payroll taxes	-	29,071	-	29,071
Total salaries and related	223,627	122,660	53,891	400,178
In-kind food expense	1,086,984	-	-	1,086,984
Food and supplies	226,336	-	-	226,336
Professional fees	14,452	16,303	91,831	122,586
Depreciation	106,055	10,025	-	116,080
Rent expense	45,617	24,759	-	70,376
Community outreach and support	63,098	3,090	158	66,346
Cost of special events	-	-	64,474	64,474
Office expenses	17,152	13,408	18,045	48,605
Fees and permits	725	2,471	14,325	17,521
Repairs and maintenance	11,384	1,248	-	12,632
Transportation	12,152	-	-	12,152
Printing	2,551	39	8,814	11,404
Insurance	3,078	6,628	188	9,894
Supplies	5,753	-	-	5,753
Training	110	390	3,676	4,176
	1,819,074	201,021	255,402	2,275,497
Reconciliation to the statement of activities:				
Special events, direct benefits to donors	-	-	(64,474)	(64,474)
Total Expenses	\$ 1,819,074	\$ 201,021	\$ 190,928	\$ 2,211,023

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

Arlington Eats, Inc.

Statement of Cash Flows

Year Ended June 30, 2025

Cash Flows from Operating Activities

Total change in net assets \$ (4,192)

Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation 116,080

Investment income, net (41,387)

Proceeds from liquidated donated securities (28,149)

Amortization of straight line rent 13,351

Decrease (increase) in assets:

Grants receivable 15,465

Pledges receivable, long term 1,000

Prepaid expenses 5,505

Increase (decrease) in liabilities:

Accounts payable (10,280)

Accrued expenses 1,632

Deferred revenue 12,732

Net Cash Provided by Operating Activities 81,757

Cash Flows from Investing Activities

Purchase of fixed assets (9,375)

Investing activities, net 270,580

Net Cash Provided by (Used in) Investing Activities 261,205

Net Increase in Cash and Cash Equivalents 342,962

Cash and Cash Equivalents - Beginning 512,801

Cash and Cash Equivalents - Ending \$ 855,763

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

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Arlington Eats, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

The Organization is 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.

Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by the Organization's governing Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. The Organization maintains its cash balances at multiple financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation.

At times these balances may exceed the federal insurance limits; however, the total amount is insured under the Massachusetts Depositors Insurance Fund, and the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2025.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

Revenue Recognition

The Organization earns revenue as follows:

The Organization generally measures revenue based on the amounts of consideration it expects to be entitled for the transfers of goods and services to a customer, then recognizes its revenue as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Grants – The organization receives funding from various grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged, and the funds are released from restriction when the restriction has been met. Conditional grants that contain a performance barrier and a right of release are only recognized as revenue if and when the specified conditions are met.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. Substantially all of the Organization's revenue is derived from its activities in Massachusetts.

In-kind contributions - In accordance with ASC 958-605 and ASU 2020-07, the Organization recognizes nonfinancial assets, including goods and services, at estimated fair value on the date received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.. Amounts are recorded within net assets with or without donor restrictions based on donor stipulations and are presented in the functional expense categories to which they relate. Donated goods are capitalized or recorded as inventory when applicable and otherwise expensed when used. The Organization discloses, by category, the nature and use of such assets and the valuation techniques and inputs applied.

Special Events – Special event revenues are recognized when the event occurs. The Organization determines that a point in time approach is the most appropriate measure of recognition because the performance obligation is delivered at once.

During the year ended June 30, 2025, the Organization derived approximately 49% of its total revenue from in kind contributions, 41% from grants and contributions, 7% from special events, and 3% from other income. All revenue is recorded at the estimated net realizable amounts.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Certain employee benefits and payroll taxes have been allocated based on salary expenditures.

Property and Equipment

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Leasehold improvements	12 - 15	years
Refrigeration equipment	10	years
Market equipment	10	years
Computer equipment	10	years
Vehicles	5	years

Property and Equipment assets are reviewed for impairment if the use of the asset significantly changes, or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 9% for the year ended June 30, 2025. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

Contributions and Grants Receivable

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. New pledges and contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. The presence of both a barrier and a right of return make a contribution conditional. Conditional promises to give to the Organization are not recognized until the conditions are satisfied.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. This determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Management has determined that no allowance is required. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with restrictions and reclassified to net assets without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions.

Investments

The Organization reports its investments pursuant to U.S. generally accepted accounting principles. In accordance with the U.S. generally accepted accounting principles, investments purchases are recorded at cost, or if donated, at fair value on the date of donation, whereby investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the statement of financial position. Net realized and unrealized gains or losses in the fair value if the investments are reflected in the statement of activities.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Investments in general, are expected to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows.

Level 1: Quoted prices for identical instruments in active markets. Level 1 securities primarily include publicly traded equity securities, mutual funds and money market funds.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring Fair Value Measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Organization's assets that are adjusted to fair value on a recurring basis are described below. The Organization currently has no liabilities that are adjusted to fair value on a recurring basis.

The following section(s) describe the valuation methodologies used to measure assets, financial assets and liabilities at fair value on a recurring basis.

Investments in Debt and Equity Securities: Quoted market prices, a Level 1 input, are used to determine the fair value of investment securities.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2025.

	Level 1	Level 2	Level 3	Total
Domestic corporate fixed income	\$ -	169,460	\$ -	169,460
Domestic equity securities	264,371	-	-	264,371
	<u>\$ 264,371</u>	<u>\$ 169,460</u>	<u>\$ -</u>	<u>\$ 433,831</u>

Nonrecurring Fair Value Measurements

The Organization has no assets and liabilities that are recorded at fair value on a nonrecurring basis as required by U.S. GAAP.

Operating Lease

The Organization leases first floor premises at 117 Broadway, Arlington, Massachusetts. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease obligations in the statements of financial position.

ROU assets represent our right to use an underlying asset for the lease term, and lease obligations represent our obligation to make lease payments. Operating lease ROU assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. Since the Organization's lease does not provide an implicit rate, to determine the present value of lease payments, management uses risk free rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option.

Use of Estimates

In preparing the Organization's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1).

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

Management has analyzed the tax position taken by the Organization and has concluded that as of June 30, 2025, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax provisions which must be considered for disclosure.

The Organization's tax returns remain open for possible federal income tax examination for three years after the filing date. While no income tax returns are currently being examined by the internal revenue service, tax years since 2022 remain open.

(2) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date:

Cash and cash equivalents	\$	855,763
Investments		433,831
Grants receivable		17,320
Pledges receivable, short term		<u>1,000</u>
Total		<u>1,307,914</u>
Less amounts unavailable for general expenditures within one year, due to:		
Purpose restrictions		(10,000)
Board designated - capital improvement reserve		<u>(100,000)</u>
Total		<u>(110,000)</u>
Financial assets available to meet cash needs for general expenditures within one year:	\$	<u><u>1,197,914</u></u>

The Organization is supported by unrestricted and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(3) Operating Lease

In March 2022, the Organization executed a noncancelable lease classified as an operating lease for 2,636 square feet of 117 Broadway in Arlington, MA to start when certain construction work was completed or upon receipt of a certificate of occupancy. The lease became effective July 2022. The base term of the lease is five years with an option to extend the terms of the lease for two five-year periods.

During the year ended June 30, 2025, the Organization reassessed its leases with renewal option and determined that it was reasonably certain to exercise such option. As a result, the remaining lease terms were extended, and the related right-of-use assets and lease liabilities were remeasured. This remeasurement resulted in an increase in operating lease balances.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

Monthly lease payments are \$4,942. The Organization will be responsible for routine maintenance, trash removal, and utilities – except water and sewer. There are no material restrictions or performance covenants other than compliance with laws, codes, and ordinances, insurance coverage, and other common operating maintenance and repairs. The discount rate of 3.12% has been used in calculating the present value of the sum of the lease payments. The organization has 12 annual payments remaining.

Rent expense for the year ended June 30, 2025 was \$70,376.

The maturities of lease liabilities as of June 30, 2025 were as follows:

2026	\$	59,298
2027		61,670
2028		64,137
2029		66,703
Thereafter		<u>639,197</u>
Total	\$	<u>891,005</u>

The lease cost and other required information for the year ended June 30, 2025, are:

Lease cost	\$	891,005
Less: interest		<u>(159,079)</u>
Present value of lease liabilities	\$	<u>731,926</u>

During the year ended June 30, 2025, the Organization recognized non-cash additions totaling \$94,206, related to the recognition of right-of-use assets and corresponding lease liabilities under operating lease arrangements.

(4) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2025, net assets with donor restrictions are restricted for the following purposes:

Subject to expenditure for specified purpose

Subject to expenditure for specified purpose

Audax Charitable Foundation	\$	<u>10,000</u>
Total net assets with donor restriction	\$	<u>10,000</u>

Net Assets released from restrictions during 2025 were \$15,000, which were for a specified purpose.

(5) In-Kind Contributions

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 865,132 pounds of donated product, in fiscal year June 2025. The approximate average wholesale value of one pound of donated product at the national level, which was determined to be \$1.90 during 2025, was based on a study performed by Feeding America. The dollar value of \$1,086,984 for the fiscal years ended June 30, 2025, is reported in the accompanying financial statements as Food In-Kind.

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

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, several 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.

(6) Retirement Plan

The Organization had a simple Individual retirement account (IRA) voluntary salary reduction plan through December 31, 2024. As of January 1, 2025, they adopted a 401K retirement plan. For the year ending June 30, 2025, the organization made Simple IRA matching employer contributions in the amount of \$5,693 and 401K matching employer contributions in the amount of \$7,222 for a total of \$12,915.

(7) Commitment and Contingencies

The Organization 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. All donor restricted funds received for the Capital Campaign have been disbursed.

In April, 2020, the Board designated \$300,000 to help fund the Capital Campaign. In July, 2021, the Board designated an additional \$300,000 for the Capital Campaign. During fiscal years 2024 and 2023, \$44,456 and \$455,544 were disbursed from the designated funds, respectively.

As of June 30, 2023, the Board designated Capital Campaign fund was \$144,456. The Board released the \$144,456 from the Capital Campaign fund effective June 30, 2024. The Board created and designated \$100,000 to a Capital Improvement Reserve effective June 30, 2024. No new board designations as of June 30, 2025.

(8) Correction of an Error

During the year ended June 30, 2025, the Organization identified an error in the accounting for one of its operating leases under ASC 842, Leases. When the lease was initially recorded in a prior period, the Organization included only one five-year noncancellable lease term in the measurement of the right-of-use ("ROU") asset and corresponding lease liability. Under ASC 842, the lease contains three noncancellable five-year terms, all of which should have been included in determining the lease term at lease commencement. Because the Organization presents only the current year financial statements, the correction resulted in adjustments to the opening balances of the right of use asset, and lease liabilities as of July 1, 2024. Because the correction did not affect prior-period lease expense or the change in net assets, there was no impact on opening net assets. Additionally, as the Organization presents only the current year financial statements, no prior-year comparative information has been restated.

Effect of the Error Correction:

The cumulative effect of correcting this error on the Organization's statement of financial position as of July 1, 2024 was as follows:

Increase in right of use asset: \$94,206

Increase in lease liabilities: \$94,206

Arlington Eats, Inc.

Notes to the Financial Statement

June 30, 2025

Nature of the Error

The error resulted from an incorrect determination of the lease term under ASC 842, specifically the omission of two required noncancellable renewal periods. Management has implemented additional review procedures over lease arrangements to prevent similar errors in the future.

(9) Subsequent Events

The Organization has performed an evaluation of subsequent events through February 6, 2026, which is the date the Organization's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2025 that required recognition or disclosure in these financial statements.