

**BREAD OF LIFE, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bread of Life, Inc.  
Malden, Massachusetts

We have audited the accompanying financial statements of the Bread of Life, Inc. (a Massachusetts corporation), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, statements of cash flows, and statements of 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 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 the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors  
Bread of Life, Inc.  
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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 presented fairly, in all material respects, the financial position of Bread of Life, Inc. as of December 31, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Russell, Brien & Co. LLP*

Certified Public Accountants  
Boston, Massachusetts

September 22, 2015

**BREAD OF LIFE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

**ASSETS**

|   | <u>2014</u>       | <u>2013</u>       |
|---|-------------------|-------------------|
| <b>Current Assets</b>                   |                   |                   |
| Cash and cash equivalents               | \$ 217,643        | \$ 126,918        |
| Accounts receivable - government grants | 24,176            | 45,999            |
| Pledges receivable-current, net         | 40,244            | 39,800            |
| Prepaid Insurance                       | <u>8,428</u>      | <u>8,331</u>      |
| Total current assets                    | <u>290,491</u>    | <u>221,048</u>    |
| <b>Fixed Assets</b>                     |                   |                   |
| Equipment                               | 5,020             | 4,856             |
| Vehicles                                | <u>66,908</u>     | <u>66,908</u>     |
| Total fixed assets                      | 71,928            | 71,764            |
| Less: accumulated depreciation          | <u>(54,938)</u>   | <u>(50,404)</u>   |
| Net fixed assets                        | <u>16,990</u>     | <u>21,360</u>     |
| <b>Other Assets</b>                     |                   |                   |
| Pledges receivable, noncurrent, net     | 24,288            | 54,482            |
| Investment in LLC                       | <u>11,500</u>     | <u>11,500</u>     |
| Total other assets                      | <u>35,788</u>     | <u>65,982</u>     |
| <b>Total assets</b>                     | <u>\$ 343,269</u> | <u>\$ 308,390</u> |

**LIABILITIES AND NET ASSETS**

|   |                   |                   |
|---|-------------------|-------------------|
| <b>Current Liabilities</b>              |                   |                   |
| Payables and accrued expenses           | <u>\$ 1,778</u>   | <u>\$ 9,460</u>   |
| <b>Net Assets</b>                       |                   |                   |
| Net assets - unrestricted               | 105,634           | 124,523           |
| Net assets - restricted                 | <u>235,857</u>    | <u>174,407</u>    |
| Total net assets                        | <u>341,491</u>    | <u>298,930</u>    |
| <b>Total liabilities and net assets</b> | <u>\$ 343,269</u> | <u>\$ 308,390</u> |

See accompanying notes to the financial statements.

**BREAD OF LIFE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|  | 2014              |                           |                   | 2013              |
|--|-------------------|---------------------------|-------------------|-------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Total             |                   |
| Support and Revenue                        |                   |                           |                   |                   |
| Public Support                             |                   |                           |                   |                   |
| Government grants                          | \$ 39,375         | \$ -                      | \$ 39,375         | \$ 61,001         |
| Foundation and private grants              | 96,687            | 61,450                    | 158,137           | 265,104           |
| Fundraising events, gifts, & contributions | 220,999           | -                         | 220,999           | 252,443           |
| Total public support                       | <u>357,061</u>    | <u>61,450</u>             | <u>418,511</u>    | <u>578,548</u>    |
| Other Revenue                              |                   |                           |                   |                   |
| Interest Income                            | 150               | -                         | 150               | 63                |
| Other Revenue                              | 879               | -                         | 879               | 956               |
| Donated space, goods & services            | 259,344           | -                         | 259,344           | 262,619           |
| Net assets released from restrictions      | -                 | -                         | -                 | -                 |
| Total other revenue                        | <u>260,373</u>    | <u>-</u>                  | <u>260,373</u>    | <u>263,638</u>    |
| Total support and revenue                  | <u>617,434</u>    | <u>61,450</u>             | <u>678,884</u>    | <u>842,186</u>    |
| Functional expenses                        |                   |                           |                   |                   |
| Program services                           |                   |                           |                   |                   |
| Meals program - purchased                  | 130,954           | -                         | 130,954           | 131,711           |
| Meals program - donated                    | 115,107           | -                         | 115,107           | 108,033           |
| Motel expenses-purchased                   | 5,770             | -                         | 5,770             | 10,252            |
| Food pantry - purchased                    | 154,879           | -                         | 154,879           | 181,695           |
| Food pantry - donated                      | 143,635           | -                         | 143,635           | 154,359           |
| Total program services                     | <u>550,345</u>    | <u>-</u>                  | <u>550,345</u>    | <u>586,050</u>    |
| Supporting services                        |                   |                           |                   |                   |
| Administrative - purchased                 | 31,539            | -                         | 31,539            | 27,850            |
| Administrative - donated                   | 600               | -                         | 600               | 225               |
| Fundraising - purchased                    | 53,839            | -                         | 53,839            | 70,123            |
| Total supporting services                  | <u>85,978</u>     | <u>-</u>                  | <u>85,978</u>     | <u>98,198</u>     |
| Total functional expenses                  | <u>636,323</u>    | <u>-</u>                  | <u>636,323</u>    | <u>684,248</u>    |
| Change in net assets                       | (18,889)          | 61,450                    | 42,561            | 157,938           |
| Net assets, beginning of year              | <u>124,523</u>    | <u>174,407</u>            | <u>298,930</u>    | <u>140,992</u>    |
| Net assets, end of year                    | <u>\$ 105,634</u> | <u>\$ 235,857</u>         | <u>\$ 341,491</u> | <u>\$ 298,930</u> |

See accompanying notes to the financial statements.

**BREAD OF LIFE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|  | 2013              |                           |                   |
|--|-------------------|---------------------------|-------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Total             |
| Support and Revenue                        |                   |                           |                   |
| Public Support                             |                   |                           |                   |
| Government grants                          | \$ 61,001         | \$ -                      | \$ 61,001         |
| Foundation and private grants              | 98,738            | 166,366                   | 265,104           |
| Fundraising events, gifts, & contributions | 252,443           | -                         | 252,443           |
| Total public support                       | <u>412,182</u>    | <u>166,366</u>            | <u>578,548</u>    |
| Other Revenue                              |                   |                           |                   |
| Interest Income                            | 63                | -                         | 63                |
| Other Revenue                              | 956               | -                         | 956               |
| Donated space, goods & services            | 262,619           | -                         | 262,619           |
| Net Assets Released from Restrictions      | 71,916            | (71,916)                  | -                 |
| Total other revenue                        | <u>335,554</u>    | <u>(71,916)</u>           | <u>263,638</u>    |
| Total support and revenue                  | <u>747,736</u>    | <u>94,450</u>             | <u>842,186</u>    |
| Functional expenses                        |                   |                           |                   |
| Program services                           |                   |                           |                   |
| Meals program - purchased                  | 131,711           | -                         | 131,711           |
| Meals program - donated                    | 108,033           | -                         | 108,033           |
| ARRA expenses - purchased                  | 10,252            | -                         | 10,252            |
| Food pantry - purchased                    | 181,695           | -                         | 181,695           |
| Food pantry - donated                      | 154,359           | -                         | 154,359           |
| Total program services                     | <u>586,050</u>    | <u>-</u>                  | <u>586,050</u>    |
| Supporting services                        |                   |                           |                   |
| Administrative - purchased                 | 27,850            | -                         | 27,850            |
| Administrative - donated                   | 225               | -                         | 225               |
| Fundraising - purchased                    | 70,123            | -                         | 70,123            |
| Total supporting services                  | <u>98,198</u>     | <u>-</u>                  | <u>98,198</u>     |
| Total functional expenses                  | <u>684,248</u>    | <u>-</u>                  | <u>684,248</u>    |
| Change in net assets                       | 63,488            | 94,450                    | 157,938           |
| Net assets, beginning of year              | 61,035            | 79,957                    | 140,992           |
| Net assets, end of year                    | <u>\$ 124,523</u> | <u>\$ 174,407</u>         | <u>\$ 298,930</u> |

See accompanying notes to the financial statements.

**BREAD OF LIFE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

|  | <u>2014</u>       | <u>2013</u>       |
|--|-------------------|-------------------|
| Cash flows from operating activities:  |                   |                   |
| Change in net assets   | \$ 42,561         | \$ 157,938        |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                   |                   |
| Depreciation   | 4,534             | 2,644             |
| (Increase) decrease in accounts receivable   | 21,823            | (18,959)          |
| (Increase) decrease in pledges receivable  | 29,750            | (94,282)          |
| Decrease (Increase) in prepaid expenses  | (97)              | 4,597             |
| (Decrease) increase in accts payable & accrued expenses  | <u>(7,682)</u>    | <u>4,588</u>      |
| Net cash provided by operating activities  | <u>90,889</u>     | <u>56,526</u>     |
| Cash flows from investing activities:  |                   |                   |
| Purchase in LLC investment   | -                 | (11,500)          |
| (Increase) decrease in fixed assets  | <u>(164)</u>      | <u>(21,132)</u>   |
| Net cash provided by investing activities  | <u>(164)</u>      | <u>(32,632)</u>   |
| Net increase in cash   | 90,725            | 23,894            |
| Cash, beginning of year  | <u>126,918</u>    | <u>103,024</u>    |
| Cash, end of year  | <u>\$ 217,643</u> | <u>\$ 126,918</u> |

See accompanying notes to the financial statements.



**BREAD OF LIFE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                  | 2014               |                            |                         |            |            |
|----------------------------------|--------------------|----------------------------|-------------------------|------------|------------|
|                                  | Program<br>Expense | Administrative<br>Expenses | Fundraising<br>Expenses | Total      | 2013 Total |
| Salaries and wages               | \$ 114,880         | \$ 10,520                  | \$ 12,285               | \$ 137,685 | \$ 125,067 |
| Payroll taxes                    | 9,748              | 893                        | 1,042                   | 11,683     | 11,230     |
| Employee benefits                | 28,383             | 2,599                      | 3,035                   | 34,017     | 35,878     |
| Accounting services              | 4,589              | 420                        | 491                     | 5,500      | 4,000      |
| Client food and personal items   | 38,534             | -                          | -                       | 38,534     | 61,880     |
| Depreciation                     | 4,534              | -                          | -                       | 4,534      | 2,644      |
| Marketing                        | 398                | 36                         | 42                      | 476        | 3,185      |
| Fees and licenses                | 1,481              | 988                        | -                       | 2,469      | 2,337      |
| Insurance                        | 8,153              | 747                        | 872                     | 9,772      | 12,428     |
| Office and program supplies      | 4,290              | 2,329                      | 1,359                   | 7,978      | 5,879      |
| Other professional fees          | 11,035             | 1,577                      | 13,664                  | 26,276     | 71,620     |
| Postage and delivery             | -                  | 1,387                      | 1,387                   | 2,774      | 2,762      |
| Printing and copying             | -                  | 416                        | 624                     | 1,040      | 1,949      |
| Repairs and maintenance          | 325                | -                          | -                       | 325        | -          |
| Rental Space                     | 28,903             | 3,613                      | 3,613                   | 36,129     | 35,992     |
| Occupancy                        | 15,589             | 2,137                      | 2,137                   | 19,863     | -          |
| Telephone                        | 2,990              | 854                        | 427                     | 4,271      | 7,228      |
| Utilities                        | 10,585             | 3,024                      | 1,512                   | 15,121     | 14,715     |
| Van expenses                     | 4,058              | -                          | -                       | 4,058      | 12,325     |
| Miscellaneous                    | 3,127              | -                          | 11,349                  | 14,476     | 10,511     |
| Subtotal                         | 291,602            | 31,540                     | 53,839                  | 376,981    | 421,629    |
| Donated goods and services       |                    |                            |                         |            |            |
| Volunteer services               | 6,000              | -                          | -                       | 6,000      | 6,000      |
| Client food and personal items   | 219,464            | -                          | -                       | 219,464    | 219,510    |
| Space/facility usage and parking | 33,278             | 600                        | -                       | 33,878     | 37,109     |
| Subtotal                         | 258,742            | 600                        | -                       | 259,342    | 262,619    |
| Total functional expenses        | \$ 550,344         | \$ 32,140                  | \$ 53,839               | \$ 636,323 | \$ 684,248 |

See accompanying notes to the financial statements.

**BREAD OF LIFE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

|                                  | 2013               |                            |                         |            |
|----------------------------------|--------------------|----------------------------|-------------------------|------------|
|                                  | Program<br>Expense | Administrative<br>Expenses | Fundraising<br>Expenses | Total      |
| Salaries and wages               | \$ 109,456         | \$ 7,025                   | \$ 8,586                | \$ 125,067 |
| Payroll taxes                    | 9,828              | 631                        | 771                     | 11,230     |
| Employee benefits                | 31,398             | 2,015                      | 2,463                   | 35,877     |
| Accounting services              | 3,500              | 225                        | 275                     | 4,000      |
| Client food and personal items   | 61,880             | -                          | -                       | 61,880     |
| Depreciation                     | 2,644              | -                          | -                       | 2,644      |
| Marketing                        | 2,787              | 179                        | 219                     | 3,185      |
| Fees and licenses                | 1,402              | 935                        | -                       | 2,337      |
| Liability insurance              | 10,877             | 698                        | 853                     | 12,428     |
| Office and program supplies      | 2,860              | 1,686                      | 1,333                   | 5,879      |
| Other professional fees          | 30,189             | 4,306                      | 37,125                  | 71,620     |
| Postage and delivery             | -                  | 1,381                      | 1,381                   | 2,762      |
| Printing and copying             | -                  | 780                        | 1,169                   | 1,949      |
| Repairs and maintenance          | -                  | -                          | -                       | -          |
| Space rental                     | 28,792             | 3,600                      | 3,600                   | 35,992     |
| Telephone                        | 5,059              | 1,446                      | 723                     | 7,228      |
| Utilities                        | 10,302             | 2,943                      | 1,470                   | 14,715     |
| Van expenses                     | 12,325             | -                          | -                       | 12,325     |
| Miscellaneous                    | 356                | -                          | 10,155                  | 10,511     |
|                                  | 323,656            | 27,850                     | 70,123                  | 421,629    |
| Subtotal                         |                    |                            |                         |            |
| Donated goods and services       |                    |                            |                         |            |
| Volunteer services               | 6,000              | -                          | -                       | 6,000      |
| Client food and personal items   | 219,510            | -                          | -                       | 219,510    |
| Space/facility usage and parking | 36,884             | 225                        | -                       | 37,109     |
|                                  | 262,394            | 225                        | -                       | 262,619    |
| Subtotal                         |                    |                            |                         |            |
| Total functional expenses        | \$ 586,050         | \$ 28,075                  | \$ 70,123               | \$ 684,248 |

See accompanying notes to the financial statements.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 1 - Operations and Not-for-Profit Status**

Bread of Life, Inc. is a local volunteer organization composed of 37 partners that include churches, synagogues, high schools, businesses, and public service groups from the communities such as Everett, Malden, Medford, Melrose, Reading, Stoneham and Wakefield. Bread of Life, Inc. collaborates with local agencies to help low-income people obtain housing, shelter, furniture, counseling, food and healthcare. In 2014 over 1,030,781 meals were distributed to those in need and in 2013 over 1,030,000 meals were distributed through Bread of Life, Inc.'s food programs. In addition, free healthcare clinics and referrals were offered by medical personnel from the Sharewood Project.

Bread of Life, Inc. (the "Organization") was incorporated in 1992 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501c(3) of the Internal Revenue Code. Bread of Life, Inc. has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

**Note 2 - Summary of Significant Accounting Policies**

- **Basis of Accounting**

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

- **Basis of Presentation**

The Organization follows FASB Accounting Standards Codification ASC No. 958, "Financial Statements of Not-for-Profit Organizations". Under ASC No. 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor imposed restrictions. At year end, there were no permanently restricted net assets.

These financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 2 - Summary of Significant Accounting Policies** *(continued)*

- **Cash and Cash Equivalents**

Statements of cash flows are designed to show the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term (maturity of three months or less), highly liquid investments that are both readily convertible to cash and are so near maturity that fluctuations in interest rates lead to insignificant risk of changes in investment value. The Organization did not hold any cash equivalents as of December 31, 2014 and 2013.

- **Accounts Receivable**

Accounts receivable - government grants represent amounts which are due from cost reimbursement grants administered by local government agencies. Management considers these amounts to be fully collectible. Therefore, there is no provision for uncollectible accounts receivable.

- **Contributions**

The Organization follows FASB Accounting Standards Codification ASC No. 958, Financial Statements of Non-for-Profit Organizations". ASC No. 958 requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donors' imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the condition on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved.

Amortization of discounts are recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund raising activity. Intentions to give, which are not legally enforceable, are not recorded until actually received.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 2 - Summary of Significant Accounting Policies** *(continued)*

- **Contributions** *(continued)*

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction, until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. The Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

- **Property and Equipment**

The Organization records property and equipment at cost at the date of acquisition. The Financial Accounting Standards Board (FASB) of the AICPA requires recognition of depreciation for long-lived assets for financial statements of not-for-profit organizations. Depreciation expense was \$4,534 and \$2,644 for the years ended December 31, 2014 and 2013 respectively. Depreciation is based on the straight-line method over the estimated useful lives of the assets as follows:

|           | <u>Years</u> |
|-----------|--------------|
| Equipment | 5            |
| Vehicles  | 5            |

- **Compensated Absences**

Employees of the Organization are entitled to paid vacations, paid sick days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

- **Income Tax**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue code and is generally exempt from Federal income taxes under Section 501(a). Management believes the tax exempt status will be maintained in the future.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 2 - Summary of Significant Accounting Policies** *(continued)*

- **Estimates**

The presentation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- **Reclassifications**

Certain amounts in the prior year financial statements have been re-classed for comparative purposes to conform to the presentation in the current year financial statements.

- **Functional Expenses**

In accordance with generally accepted accounting principles, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification.

**Note 3 - Leases**

The Organization occupies approximately 3,400 square feet of space for administrative and food pantry purposes in Malden, Massachusetts. For the years ended December 31, 2014 and 2013, rent paid was \$36,129 and \$35,992 respectively.

From January 1 through August 14, 2013 the Organization leased the space from Philam Realty Corp. On August 14, 2013, the Organization began leasing space from 54 Eastern Ave Malden, LLC.

**Note 4 - Pledges Receivable**

Pledges receivable represent unconditional promises to give over a period of time. Pledges expected to be collected after December 31, 2014 are recorded at a net present value based on U.S. Treasury securities yields with maturity dates similar to the collection period.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 4 - Pledges Receivable** *(continued)*

The following is a schedule of pledges receivable at December 31, 2014.

| Year of Collection          | Amount    |
|-----------------------------|-----------|
| 2015                        | \$ 41,400 |
| 2016                        | 18,300    |
| 2017                        | 3,800     |
| 2018                        | 2,800     |
| 2019                        | 800       |
| Years thereafter            | -         |
| Gross pledges               | 67,100    |
| Less:                       |           |
| Allowance for uncollectible | (2,568)   |
| Net pledges                 | \$ 64,532 |

**Note 5 - Restrictions on Net Assets**

Temporarily restricted net assets are restricted to:

|                                  |            |
|----------------------------------|------------|
| Building Fund (Capital Campaign) | \$ 235,857 |
|----------------------------------|------------|

**Note 6 - Net Assets Released from Restrictions**

There are no temporarily restricted net assets released from restrictions for 2014.

|                                  |      |
|----------------------------------|------|
| Building Fund (Capital Campaign) | \$ - |
|----------------------------------|------|

**Note 7 - In-Kind Donations**

ASC No. 958 requires the fair value of donated services to be recognized in the financial statements which either create or enhance a non-financial asset or require specialized skills which would need to be purchased if not donated.

**BREAD OF LIFE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

**Note 7 - In-Kind Donations** *(continued)*

The Organization had in-kind contributions of the following:

|                  | 2014              | 2013              |
|------------------|-------------------|-------------------|
| Rent             | \$ 23,800         | \$ 23,725         |
| Parking          | 10,080            | 10,080            |
| Pantry/Meals     | 177,425           | 189,370           |
| Restaurant meals | 30,240            | 14,400            |
| Program supplies | 5,297             | 5,940             |
| Holiday Gifts    | -                 | 3,604             |
| Clothing         | 12,500            | 15,500            |
|                  | <u>\$ 259,342</u> | <u>\$ 262,619</u> |

**Note 8 - SIMPLE- IRA Retirement Savings Plan**

Beginning in 2003, the Organization began a SIMPLE-IRA retirement plan for eligible employees. The Organization makes a matching contribution to the account of each eligible employee who is employed at the company at year end up to 3% of the employee's salary earned during the year. Expenses related to the plan for 2014 and 2013 were \$3,614 and \$3,274 respectively.

**Note 9 - Volunteer Services**

A total of 23,314 and 24,724 volunteer hours for 2014 and 2013 respectively, are not included in these financial statements as they do not meet the criteria for recognition.

**Note 10 - Investment in Real Estate LLC**

On August 14, 2013 the Organization and Tri-City Community Action Program, Inc. (Tri-Cap) created a limited liability company to purchase a building at 54 Eastern Avenue in Malden, Massachusetts with a purchase price of \$750,000. The limited liability company formed was 54 Eastern Ave Malden, LLC. In order to purchase the property 54 Eastern Ave Malden, LLC secured a \$675,000 mortgage with the seller taking on the \$75,000 difference. The Organization assumed 46.7% of the mortgage liability as shareholders of 54 Eastern Ave Malden, LLC and had a total cost of \$11,500 to purchase the building.



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**Note 10 - Investment in Real Estate LLC** *(continued)*

The commercial real estate promissory note calls for the principal and unpaid interest to be paid upon the earlier to occur: 1) twelve months from the execution date, or 2) the start of construction with regard to the property. The lender has sole discretion in determining the start of construction date. The interest rate on the note is equal to the prime rate, but no less than 3.25% per annum for the life of the loan.

The seller financed commercial real estate note is a five year note, due August 14, 2018. The note holds a fixed 5% interest rate.

The managers of 54 Eastern Ave Malden, LLC are Tri-Cap and the Organization.

The 54 Eastern Ave Malden, LLC is a separate entity which will rent office and residential units. The Organization's offices are located in the building. For the year 2014, the Organization paid \$31,800 in rent to 54 Eastern Ave Malden, LLC.

The Organization interest in the 54 Eastern Ave Malden, LLC is recorded as an investment in real estate on the balance sheet. For 2014, no distributions were received.

54 Eastern Ave Malden, LLC is required to file a partnership tax return each year. However, a tax return for 2013 was not filed and the ramifications is uncertain. If there is a penalty assessed for not filing, it is believed that it will not be material in amount and, therefore, has not been recorded in the financial statements.

**Note 11 - Fair Value Measurements**

The Organization adopted Accounting Standards Codification No. 820, Fair Value Measurements as of July 1, 2008, which among other matters, requires enhanced disclosures about "instruments that are measured and reported at fair value.

ASC No. 820 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price used in measuring instruments at fair value. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available quoted prices or for which fair value can be measured for actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The implementation of ASC No. 820 had no impact on reported amounts.

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**Note 11 - Fair Value Measurements** *(continued)*

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments included in Level 1 include listed equity and debt securities publicly traded on a Stock Exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Instruments which are generally included in this category include less liquid and restricted equity securities and over-the-counter derivatives including corporate bonds and loans, public company equity securities with legal restrictions and interest rate swap contracts.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Instruments that are included in this category generally include investments in privately held portfolio companies, promissory notes to privately held companies, and interests in other investment partnerships.

In some instances, the inputs to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The valuation of the Organization's investments by the above fair value hierarchy consisted of the following at December 31, 2014:

|        | Level 1 | Level 2 | Level 3   | Total |
|--------|---------|---------|-----------|-------|
| Assets |         |         |           |       |
| LLC    | \$ -    | \$ -    | \$ 11,500 | \$ -  |

**Note 12 - Taxes**

The Organization evaluates tax positions taken, or expected to be taken, in its tax returns to determine whether tax positions are more-likely-than-not of being sustained by the applicable federal or state authority. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in 2014 returns and believes they are more-likely-than-not of being sustained if examined by federal or state authorities. The Organizations' 2010 through 2013 tax years remain subject to examination by federal and state authorities.

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**Note 13 - Subsequent Events**

On April 23, 2015, Tri-Cap filed for chapter 11 bankruptcy in the US Bankruptcy court for the District of Massachusetts, any selling of the Tri-Cap membership interests will require approval of the creditor's committee from the Tri-Cap bankruptcy's estate. There is currently a proposal pending before the creditor's committee whereby the Organization will become the sole owner of membership interest in 54 Eastern Ave Malden, LLC.

Tri-Cap and the Organization both individually guaranteed the outstanding \$675,000 first mortgage note on 54 Eastern Ave Malden, LLC made in favor of Century Bank (the "First Mortgage"). As part of the proposal with the creditor's committee, Tri-Cap would be released from their guarantee of the First Mortgage and the Organization would assume full liability. As a result, the Organization would control 100% of the interest in 54 Eastern Ave Malden, LLC.

Tri-Cap and the Organization both individually guaranteed the outstanding \$75,000 second mortgage note on the 54 Eastern Ave Malden, LLC made in favor of Philam Realty Corp., Inc.

As the Organization is not a direct creditor of Tri-Cap, there is no direct liability to the Organization as a result of Tri-Cap's bankruptcy filing. However, as a guarantor of the First Mortgage made by 54 Eastern Ave Malden, LLC, the Organization would assume the risk that in the event 54 Eastern Ave Malden, LLC cannot satisfy its debt obligation pursuant to the underlying note, that the Organization could be liable to Century Bank for the shortfall in a foreclosure.

As Tri-Cap is currently in bankruptcy, any corporate actions, including approving or voting pertaining to 54 Eastern Ave Malden, LLC, requires the creditor's committee approval. This additional approval process may impede the continued project development goals of 54 Eastern Ave Malden, LLC. This contingent risk can be eliminated once the credit committee approves transferring Tri-Cap's interest in 54 Eastern Ave Malden, LLC to the Organization. As the Organization gains complete ownership, it can proceed with its fundraising and development of 54 Eastern Ave Malden, LLC.

The Organization has performed an evaluation of subsequent events through September 22, 2015 which is the date that financial statements for Bread of Life, Inc. was issued.