

BREAD OF LIFE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Bread of Life, Inc. (a Massachusetts non-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above presented fairly, in all material respects, the consolidated financial position of Bread of Life, Inc. as of December 31, 2015 and 2014, and the consolidated changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Russell, Brin & Co CP
Certified Public Accountants
Boston, Massachusetts

October 27, 2016

BREAD OF LIFE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 253,483	\$ 217,643
Accounts receivable - government grants	39,401	24,176
Pledges receivable-current, net	39,632	40,244
Prepaid Insurance	3,504	8,428
Prepaid Expense	924	-
Total current assets	<u>336,944</u>	<u>290,491</u>
Fixed Assets		
Building	750,000	-
Equipment	5,020	5,020
Vehicles	71,834	66,908
Total fixed assets	826,854	71,928
Less: accumulated depreciation	<u>(79,469)</u>	<u>(54,938)</u>
Net fixed assets	<u>747,385</u>	<u>16,990</u>
Other Assets		
Pledges receivable, noncurrent, net	7,400	24,288
Investment in LLC	-	11,500
Total other assets	<u>7,400</u>	<u>35,788</u>
Total assets	<u>\$ 1,091,729</u>	<u>\$ 343,269</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Payables and accrued expenses	<u>\$ 6,079</u>	<u>\$ 1,778</u>
Non-Current Liabilities		
Mortgage Notes	750,000	-
Tri-CAP Note	100,000	-
Total non-current liabilities	<u>850,000</u>	<u>-</u>
Net Assets		
Net assets - unrestricted	(8,742)	105,634
Net assets - restricted	244,392	235,857
Total net assets	<u>235,650</u>	<u>341,491</u>
Total liabilities and net assets	<u>\$ 1,091,729</u>	<u>\$ 343,269</u>

See accompanying notes to the financial statements.

BREAD OF LIFE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue				
Public Support				
Government grants	\$ 35,052	\$ -	\$ 35,052	\$ 39,375
Foundation and private grants	179,268	8,535	187,803	158,137
Fundraising events, gifts, & contributions	178,617	-	178,617	220,999
Total public support	<u>392,937</u>	<u>8,535</u>	<u>401,472</u>	<u>418,511</u>
Other Revenue				
Interest Income	125	-	125	150
Other Revenue	1,207	-	1,207	879
Donated space, goods & services	259,781	-	259,781	259,344
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenue	<u>261,113</u>	<u>-</u>	<u>261,113</u>	<u>260,373</u>
Total support and revenue	<u>654,050</u>	<u>8,535</u>	<u>662,585</u>	<u>678,884</u>
Functional expenses				
Program services				
Meals program - purchased	174,110	-	174,110	130,954
Meals program - donated	182,918	-	182,918	115,107
Motel expenses-purchased	-	-	-	5,770
Food pantry - purchased	169,898	-	169,898	154,879
Food pantry - donated	70,263	-	70,263	143,635
Total program services	<u>597,189</u>	<u>-</u>	<u>597,189</u>	<u>550,345</u>
Supporting services				
Administrative - purchased	33,403	-	33,403	31,539
Administrative - donated	6,600	-	6,600	600
Fundraising - purchased	22,776	-	22,776	53,839
Total supporting services	<u>62,779</u>	<u>-</u>	<u>62,779</u>	<u>85,978</u>
Total functional expenses	<u>659,968</u>	<u>-</u>	<u>659,968</u>	<u>636,323</u>
Excess of liabilities over assets acquired	<u>108,458</u>	<u>-</u>	<u>108,458</u>	<u>-</u>
Change in net assets	(114,376)	8,535	(105,841)	42,561
Net assets, beginning of year	<u>105,634</u>	<u>235,857</u>	<u>341,491</u>	<u>298,930</u>
Net assets, end of year	<u>\$ (8,742)</u>	<u>\$ 244,392</u>	<u>\$ 235,650</u>	<u>\$ 341,491</u>

See accompanying notes to the financial statements.

BREAD OF LIFE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Public Support			
Government grants	\$ 39,375	\$ -	\$ 39,375
Foundation and private grants	96,687	61,450	158,137
Fundraising events, gifts, & contributions	220,999	-	220,999
Total public support	<u>357,061</u>	<u>61,450</u>	<u>418,511</u>
Other Revenue			
Interest Income	150	-	150
Other Revenue	879	-	879
Donated space, goods & services	259,344	-	259,344
Net Assets Released from Restrictions	-	-	-
Total other revenue	<u>260,373</u>	<u>-</u>	<u>260,373</u>
Total support and revenue	<u>617,434</u>	<u>61,450</u>	<u>678,884</u>
Functional expenses			
Program services			
Meals program - purchased	130,954	-	130,954
Meals program - donated	115,107	-	115,107
Motel expenses - purchased	5,770	-	5,770
Food pantry - purchased	154,879	-	154,879
Food pantry - donated	143,635	-	143,635
Total program services	<u>550,345</u>	<u>-</u>	<u>550,345</u>
Supporting services			
Administrative - purchased	31,539	-	31,539
Administrative - donated	600	-	600
Fundraising - purchased	53,839	-	53,839
Total supporting services	<u>85,978</u>	<u>-</u>	<u>85,978</u>
Total functional expenses	<u>636,323</u>	<u>-</u>	<u>636,323</u>
Change in net assets	(18,889)	61,450	42,561
Net assets, beginning of year	<u>124,523</u>	<u>174,407</u>	<u>298,930</u>
Net assets, end of year	<u>\$ 105,634</u>	<u>\$ 235,857</u>	<u>\$ 341,491</u>

See accompanying notes to the financial statements.

BREAD OF LIFE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (105,841)	\$ 42,561
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	24,531	4,534
(Increase) in accounts receivable	(15,225)	21,823
Decrease in pledges receivable	17,500	29,750
Decrease in prepaid expenses	4,000	(97)
Increase in accts payable & accrued expenses	<u>4,301</u>	<u>(7,682)</u>
Net cash provided by operating activities	<u>(70,734)</u>	<u>90,889</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	<u>(743,426)</u>	<u>(164)</u>
Net cash provided by investing activities	<u>(743,426)</u>	<u>(164)</u>
Cash flows from financing activities		
Increase in notes payable	<u>850,000</u>	<u>-</u>
Net cash provided by financing activities	<u>850,000</u>	<u>-</u>
Net increase in cash	35,840	90,725
Cash, beginning of year	<u>217,643</u>	<u>126,918</u>
Cash, end of year	<u>\$ 253,483</u>	<u>\$ 217,643</u>

See accompanying notes to the financial statements.

BREAD OF LIFE, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015				
	Program Expense	Administrative Expenses	Fundraising Expenses	Total	2014 Total
Salaries and wages	\$ 127,817	\$ 8,586	\$ 8,586	\$ 144,989	\$ 137,685
Payroll taxes	10,648	715	715	12,078	11,683
Employee benefits	29,756	1,999	1,999	33,754	34,017
Accounting services	5,290	355	355	6,000	5,500
Client food and personal items	25,703	1,726	1,726	29,155	38,534
Depreciation	24,531	-	-	24,531	4,534
Marketing	882	59	59	1,000	476
Fees and licenses	3,023	941	121	4,085	2,469
Insurance	13,362	898	898	15,158	9,772
Office and program supplies	6,280	422	422	7,124	7,978
Other professional fees	21,342	1,434	1,434	24,210	26,276
Postage and delivery	3,666	246	246	4,158	2,774
Printing and copying	4,509	303	303	5,115	1,040
Repairs and maintenance	-	-	-	-	325
Rental Space	24,187	3,023	3,023	30,233	36,129
Occupancy	8,723	586	586	9,895	19,863
Telephone	4,113	276	276	4,665	4,271
Utilities	12,638	849	849	14,336	15,121
Van expenses	5,176	348	348	5,872	4,058
Interest Expense	0	9,807	-	9,807	-
Miscellaneous	12,363	830	830	14,023	14,476
Subtotal	344,008	33,403	22,776	400,187	376,981
Donated goods and services					
Volunteer services	6,000	-	-	6,000	6,000
Client food and personal items	219,901	-	-	219,901	219,464
Space/facility usage and parking	33,880	-	-	33,880	33,878
Subtotal	259,781	-	-	259,781	259,342
Total functional expenses	\$ 603,789	\$ 33,403	\$ 22,776	\$ 659,968	\$ 636,323

See accompanying notes to the financial statements.

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

	2014			
	Program Expense	Administrative Expenses	Fundraising Expenses	Total
Salaries and wages	\$ 114,880	\$ 10,520	\$ 12,285	\$ 137,685
Payroll taxes	9,748	893	1,042	11,683
Employee benefits	28,383	2,599	3,035	34,017
Accounting services	4,589	420	491	5,500
Client food and personal items	38,534	-	-	38,534
Depreciation	4,534	-	-	4,534
Marketing	398	36	42	476
Fees and licenses	1,481	988	-	2,469
Liability insurance	8,153	747	872	9,772
Office and program supplies	4,290	2,329	1,359	7,978
Other professional fees	11,036	1,576	13,664	26,276
Postage and delivery	-	1,387	1,387	2,774
Printing and copying	-	416	624	1,040
Repairs and maintenance	325	-	-	325
Rental space	28,903	3,613	3,613	36,129
Occupancy	15,589	2,137	2,137	19,863
Telephone	2,990	854	427	4,271
Utilities	10,585	3,024	1,512	15,121
Van expenses	4,058	-	-	4,058
Miscellaneous	3,127	-	11,349	14,476
Subtotal	291,603	31,539	53,839	376,981
Donated goods and services				
Volunteer services	6,000	-	-	6,000
Client food and personal items	219,464	-	-	219,464
Space/facility usage and parking	33,278	600	-	33,878
Subtotal	258,742	600	-	259,342
Total functional expenses	\$ 550,345	\$ 32,139	\$ 53,839	\$ 636,323

See accompanying notes to the financial statements.

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015 over 1,030,000 meals were distributed to those in need and in 2014 over 1,030,781 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 (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 CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

- **Consolidated Financial Statements**

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, 54 Eastern Ave Malden LLC.

- **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, 2015 and 2014.

- **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 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.

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2 - Summary of Significant Accounting Policies (continued)

- Contributions (continued)

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.

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 \$24,531 and \$4,534 for the years ended December 31, 2015 and 2014 respectively. Depreciation is based on the straight-line method over the estimated useful lives of the assets as follows:

	Years
Building	39
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.

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

- **Income Tax**

The Organization is a not-for-profit corporation as described in Section 501c(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.

- **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, 2015 and 2014, rent paid was \$30,233 and \$36,129 respectively.

Note 4 - Restrictions on Net Assets

Temporarily restricted net assets are restricted to:

Building Fund (Capital Campaign)	\$	244,392
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BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5 - Net Assets Released from Restrictions

There are no temporarily restricted net assets released from restrictions for 2015.

Note 6 - Pledges Receivable

Pledges receivable represent unconditional promises to give over a period of time. Pledges expected to be collected after December 31, 2015 are recorded at a net present value based on U.S. Treasury securities yields with maturity dates similar to the collection period.

The following is a schedule of pledges receivable at December 31, 2015:

<u>Year of Collection</u>	<u>Amount</u>
2016	\$ 39,200
2017	3,800
2018	2,800
2019	800
Gross pledges	46,600
Less:	
Allowance for uncollectible	(2,568)
Net pledges	<u>\$ 44,032</u>

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.

The Organization had in-kind contributions of the following:

	<u>2015</u>	<u>2014</u>
Rent	\$ 23,800	\$ 23,800
Parking	10,080	10,080
Pantry/Meals	171,642	177,425
Professional Services	6,000	-
Restaurant meals	30,240	30,240
Program supplies	5,519	5,297
Clothing	12,500	12,500
	<u>\$ 259,781</u>	<u>\$ 259,342</u>

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8 - SIMPLE-IRA Retirement Savings Plan

The Organization maintains 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 2015 and 2014 were \$3,722 and \$3,614 respectively.

Note 9 - Volunteer Services

A total of 23,156 and 23,314 volunteer hours for 2015 and 2014 respectively, are not included in these financial statements as they do not meet the criteria for recognition.

Note 10 - Acquisition of 54 Eastern Ave Malden 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 (the "LLC"). The Organization's initial interest in the jointly created LLC was 46.7% of the LLC.

On April 23, 2015 Tri-CAP filed for chapter 11 bankruptcy in the US Bankruptcy court for the District of Massachusetts. On August 27, 2015 the Organization and Tri-CAP entered into an agreement in which Tri-CAP redeemed its remaining interest in the LLC for a promissory note in the agreed-upon amount of \$100,000 payable on certain conditions. The Bankruptcy Court approved the agreement on September 17, 2015. As a result of the acquisition, the Organization is expected to continue the project of developing affordable apartments, administrative offices, a food pantry, dining room and kitchen on the property (the "Project").

It is expected that the operations of the LLC will be predominantly supported by contributions. As such, the excess of liabilities assumed over assets acquired is immediately written off as a separate charge in the statement of activities.

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 10 - Acquisition of 54 Eastern Ave Malden LLC *(continued)*

The following table summarizes the consideration paid for the LLC and the amounts of the assets acquired and liabilities assumed at the acquisition date.

At September 17, 2015:

<i>Consideration</i>	
Promissory note	\$ 100,000
Fair value of the Organization's interest in the LLC before the business combination	<u>11,500</u>
Total	<u><u>\$ 111,500</u></u>
<i>Recognized amounts of identifiable assets acquired and liabilities assumed</i>	
Financial assets	\$ 3,042
Building	775,000
Long Term Debt assumed	<u>(775,000)</u>
Total identifiable net assets	3,042
Excess of liabilities assumed over assets acquired	<u>108,458</u>
Total	<u><u>\$ 111,500</u></u>

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 11 - Notes Payable

The Tri-CAP Note will be paid upon closing of the Project affordable housing financing sources to the extent qualified as costs of the affordable housing portion of the Project. If the Project does not proceed because of the termination or lapse of the Special Permit granted to the Project by the City of Malden (or any successor permit for an affordable housing Project), then, for the 180 day period following such termination or lapse, the LLC shall not make any distributions of cash or return capital proceeds to its members and shall have the option (but not the obligation) to pay the balance then due and owing under the Tri-CAP Note.

At the end of the 180 day period if the Tri-CAP Note is outstanding, to the extent the Tri-CAP Note is not paid from Project financing sources, whether or not the Project is modified or abandoned by the Organization or the LLC as permitted, then the Tri-CAP Note will be paid out of any distributions of excess cash or capital proceeds of the LLC to the members of the LLC, pari passu with the Existing Bread of Life Expenses and any other capital contributions to the LLC. Bread of Life's capital contributions as of the date hereof are \$50,000 (the "Existing Bread of Life Expenses").

In addition, the LLC shall not accept any grant money that reimburses the Existing Bread of Life Expenses unless the Tri-CAP Note is paid in full or otherwise reimbursed on a pari passu basis to the extent of such grant money. The LLC may not make distributions of cash or return capital proceeds to its members or accept restricted grant money that reimburses the Existing Bread of Life Expenses until the Tri-CAP Note is satisfied in full. In addition, the Tri-CAP Note shall be prepayable by the LLC, without penalty, at any time.

The Organization has an interest only note payable to an area bank in monthly installments of \$1,854 at an annual rate of 3.5% that is secured by the land and building and has principal outstanding of \$675,000.

The Organization also has a seller financed note, due August 14, 2018 with a balance of \$75,000 that is secured by the land and building, the monthly installments on the seller financed note is \$313 at an annual rate of 5%.

BREAD OF LIFE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015 returns and believes they are more-likely-than-not of being sustained if examined by federal or state authorities. The Organizations' 2012 through 2014 tax years remain subject to examination by federal and state authorities.

54 Eastern Ave Malden, LLC was required to file a partnership tax returns in 2013-2015. However, tax returns for those years were 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 13 - Subsequent Events

The Organization has performed an evaluation of subsequent events through October 27, 2016 which is the date that financial statements for Bread of Life, Inc. was issued.