

BREAD OF LIFE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019



Barrett & Scibelli, LLC
Certified Public Accountants

BREAD OF LIFE, INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019
TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 14



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Bread of Life, Inc., (a Massachusetts nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bread of Life, Inc., as of December 31, 2019, 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.

Barrett & Scibelli, LLC

Winchester, Massachusetts

January 25, 2021

BREAD OF LIFE, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

Assets

Cash and cash equivalents	\$	262,435
Cash - restricted		492,153
Contributions receivable - government grants		26,184
Prepaid insurance		8,935
Property and equipment		
Building		750,000
Equipment		13,791
Vehicles		71,834
		<hr/>
Total fixed assets		835,625
Less: accumulated depreciation		(179,292)
Property and equipment, net		<hr/> <hr/>

Total assets **\$ 1,446,040**

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$	18,822
Mortgage notes		642,980
Tri CAP note payable		100,000
		<hr/>

Total liabilities **761,802**

Net assets

Without donor restrictions		192,085
With donor restrictions		492,153
		<hr/>

Total net assets **684,238**

Total liabilities and net assets **\$ 1,446,040**

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

BREAD OF LIFE, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Public support			
Government grants	\$ 129,335	\$ -	\$ 129,335
Foundation and private grants	134,184	310,248	444,432
Fundraising events, gifts, & contributions	199,770	-	199,770
Total public support	463,289	310,248	773,537
Other revenue			
Interest income	2	-	2
Donated space, goods, and services	1,280,736	-	1,280,736
Net assets released from restrictions	78,990	(78,990)	-
Total other revenue	1,359,728	(78,990)	1,280,738
Total support and revenue	1,823,017	231,258	2,054,275
Expenses			
Program services			
Meals program - purchased	203,679	-	203,679
Meals program - donated	72,556	-	72,556
Food pantry - purchased	150,545	-	150,545
Food pantry - donated	1,155,908	-	1,155,908
Total program services	1,582,688	-	1,582,688
Supporting services			
Administrative - purchased	86,049	-	86,049
Administrative - donated	52,272	-	52,272
Fundraising - purchased	114,148	-	114,148
Total supporting services	252,469	-	252,469
Total expenses	1,835,157	-	1,835,157
Change in net assets	(12,140)	231,258	219,118
Net assets, beginning of year	204,225	260,895	465,120
Net assets, end of year	\$ 192,085	\$ 492,153	\$ 684,238

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

BREAD OF LIFE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Expenses	Administrative Expenses	Fundraising Expenses	Total
Salaries and wages	\$ 181,623	\$ 27,243	\$ 18,162	\$ 227,029
Payroll taxes	18,396	2,759	1,840	22,995
Employee benefits	36,794	5,519	3,679	45,993
Accounting services	6,400	960	640	8,000
Client food and personal items	25,898	3,885	2,590	32,372
Depreciation	24,120	-	-	24,120
Marketing	-	-	81,164	81,164
Fees and licenses	6,151	923	615	7,689
Insurance	5,605	841	560	7,006
Office and program supplies	4,300	645	430	5,375
Other professional fees	620	93	62	775
Postage and delivery	2,862	429	286	3,577
Dues, Subscriptions and Licenses	5,602	840	560	7,002
Rental space	10,052	1,508	1,005	12,565
Telephone	2,757	414	276	3,446
Utilities	10,495	1,574	1,050	13,119
Van expenses	12,226	1,834	1,223	15,283
Interest expense	-	36,573	-	36,573
Miscellaneous	323	9	6	338
Subtotal	<u>354,224</u>	<u>86,049</u>	<u>114,148</u>	<u>554,421</u>
Donated goods and services				
Volunteer services	-	19,116	-	19,116
Client food and personal items	1,228,464	-	-	1,228,464
Space/facility usage and parking	33,156	-	-	33,156
Subtotal	<u>1,261,620</u>	<u>19,116</u>	<u>-</u>	<u>1,280,736</u>
Total expenses	<u><u>\$ 1,615,844</u></u>	<u><u>\$ 105,165</u></u>	<u><u>\$ 114,148</u></u>	<u><u>\$ 1,835,157</u></u>

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

BREAD OF LIFE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019

	<u>2019</u>
Cash flows from operating activities	
Change in net assets	\$ 219,118
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	24,120
Changes in:	
Grants and contributions receivable	2,915
Pledges receivable	-
Prepaid expenses and other assets	(604)
Accounts payable and accrued expenses	<u>(136)</u>
Net cash provided by operating activities	<u>245,413</u>
Cash flows from investing activities	
Purchase of property and equipment	<u>(953)</u>
Net cash used by investing activities	<u>(953)</u>
Cash flow from financing activities	
Note payments	<u>(40,669)</u>
Net cash used by financing activities	<u>(40,669)</u>
Net increase in cash	203,791
Cash, beginning of year	<u>550,797</u>
Cash, end of year	<u><u>\$ 754,588</u></u>

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

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION

Bread of Life (the “Organization”) is a non-profit, non-denominational faith-based organization serving the communities north of Boston, with a mission to feed the body and to nurture the soul. Found in 1980 and incorporated as a non-profit in 1992, Bread of Life brings together over 500 volunteers from 45 partner organizations from the faith community, businesses, civic organizations, schools, healthcare, government, and social service agencies from Malden, Everett, Medford, Melrose, Wakefield, Reading, and Peabody to offer free food to hungry, homeless, and isolated people. Bread of Life distributes the equivalent of one million free meals per year. Services provided include evening meals held four nights a week in Malden, food pantries in Malden and Everett, grocery delivery to senior citizens in public housing in Malden, Everett, Melrose, and Medford, and food delivery to at-risk teens and homeless families sheltered in local motels.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, 54 Eastern Ave Malden, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “Bread of Life.”

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The presentation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Restricted Cash

Restricted cash represents amounts received from donors to be utilized for the building project.

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable

The Organization records contributions receivable that are expected to be collected within one year at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectible promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

Property and Equipment

Property and equipment is recorded at cost if purchased or at estimated fair value at the date of gift if donated, net of accumulated depreciation. The Organization's policy is to capitalize property and equipment costs of \$1,000 or more. Major additions and improvements are capitalized while maintenance and repairs, which do not extend the lives of the respective assets, are expensed in the year incurred.

Property and equipment are depreciated using straight-line methods over the estimated useful lives of the assets as follows:

Building	39 years
Equipment	5 years
Vehicles	5 years

Net Assets

The Organization reports information regarding its financial position and activities according to the following classes of net assets based on the existence or absence of donor-imposed restrictions:

Without donor restrictions - net assets that are not restricted by donors and may include net assets whose use is limited by internally imposed restrictions.

With donor restrictions – net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Upon fulfillment of all donor limitations, the donor restricted net assets are released from restriction.

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue and Support

The Organization receives revenues and support from contributions, grants, fundraising events and government contracts.

Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence and or the nature of any donor restrictions. Unrestricted contributions, including unconditional promises to give, are recognized as support in the period received or unconditionally pledged. Conditional promises to give are recognized as contributions when substantially all conditions are met. Contributions of noncash assets are reported at their estimated fair value. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are satisfied or expire in the same year in which the contributions are recognized. Fundraising event revenue is recognized when the event has taken place.

Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period in which the services are provided.

Income Taxes

The Organization is exempt from federal income taxes as provided under Internal Revenue Code (IRC) Section 501(c)(3), and is generally exempt from Federal income taxes under Section 501(a).

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 501(c)(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.

Accounting principles generally accepted in the United States of America prescribe the threshold a tax position is required to meet before being recognized in the financial statements. A liability for uncertain tax positions is recognized and recorded as a component of current income tax expense for differences between financial and income tax reporting positions which do not meet this threshold. Any interest and penalties related to uncertain tax positions are recorded as a component of income tax expense. The Organization has reviewed its tax positions that remain subject to examination by tax authorities and has not identified any material uncertain tax positions and thus has not recorded any liability at December 31, 2019.

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes - continued

The Organization's federal and state tax returns are subject to possible examination by taxing authorities until the expiration of the related returns statutes. In general, the federal and state tax returns have a three-year statute of limitation from the date the tax returns were due or filed, whichever is later. The Organization is no longer subject to examinations by tax authorities for years prior to 2015, and has no open examinations as of the date of these financial statements.

54 Eastern Ave Malden, LLC was required to file partnership tax returns from 2014 – 2016 however, tax returns for those years were not filed and the ramifications are 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.

Functional Allocation of Expenses

The costs for providing for various programs and supporting services have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

Compensated Absences

Employees of the Organization are entitled to paid vacations, paid sick days off, depending on the job classification, length of services, 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.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising/marketing costs were \$81,164 for the year ended December 31, 2019.

Adoption of New Accounting Standard

The Organization adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange or exchange and determining whether contributions are conditional. The adoption of this pronouncement did not have a material effect on these financial statements.

FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The purpose of this pronouncement is to provide guidance on the classification of restricted cash in the statement of cash flows. The Organization adopted the provisions of ASU 2016-18 on a retrospective basis and did not necessitate an adjustment to net assets in the prior period.

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02 – *Leases*, and additional Accounting Standards Updates containing modifications to this standard. The standard is effective for periods beginning after December 15, 2021 for non-public entities. Implementation of this standard will require lessees to recognize a right to use asset and a lease liability, for all leases with terms longer than 12 months, on their statement of financial position. Management does not believe that this standard will have a material effect on the financial statements.

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets of the consolidated statement of financial position date:

Financial assets at year-end:

Cash	\$ 754,588
Grants and contributions receivable	<u>26,184</u>
Total cash and receivables	780,772
Less time restricted support greater than one year	<u>(492,153)</u>

Financial assets available to meet general operating

expenses within one year: \$ 288,619

The Organization reviews its cash position on a regular basis to ensure that adequate funds are available to meet operating expenses. Management believes grants and contributions receivables will provide funds for operating expenses. For the year ended December 31, 2019, management believes the Organization has no liquidity issues.

NOTE D – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are due as follows as of December 31, 2019:

Due in one year	<u>\$ 26,184</u>
-----------------	------------------

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE E – MORTGAGE AND NOTES PAYABLE

Mortgage and notes payable consist of the following at December 31, 2019

5.80% mortgage payable, secured by building	\$	642,980
Tri-CAP note, unsecured		<u>100,000</u>
		<u>\$742,980</u>

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 of any distributions of excess cash or capital proceeds of the LLC to the members of the LLC, pari passu with the existing Organization expenses and any other capital contributions to the LLC. The Organization's capital contributions as of December 31, 2019 are \$50,000.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 consist of the following:

Building Fund (Capital Campaign) \$ 492,153

During the year ended December 31, 2019, net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purpose and/or time restriction specified by donors as follows:

Building Fund (Capital Campaign) \$ 78,990

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE G – DONATED GOODS AND SERVICES

The value of donated goods and services are reported in the accompanying financial statements as donated goods and services revenue with offsetting expenses included in program expenses. For the year ended December 31, 2019, donated goods and services are as follows:

Rent	\$	8,800
Parking		24,356
Pantry/meals		1,133,978
Professional services		19,116
Restaurant meals		72,556
Program supplies		8,385
Clothing		<u>13,545</u>
		<u>\$1,280,736</u>

NOTE H – RETIREMENT 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 the year ended December 31, 2019 were \$3,146.

NOTE I – 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 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.

NOTE J – CONCENTRATIONS

The Organization maintains its cash in accounts that are federally insured. At times, the balances in the insured accounts may exceed federal limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks.

BREAD OF LIFE, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE K - CONTINGENCIES

Periodically, the Organization may be involved in various claims and legal actions arising in the normal course of operations. In the opinion of Management, based upon current facts and circumstances and on consultation with legal counsel, losses, if any, from those matters, are covered by insurance or are immaterial to the financial position of the Organization.

NOTE L - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2021, the date the financial statements were approved and authorized for issuance by management, and determined that, other than as disclosed herein, there are no subsequent events that would require recognition or disclosure in the notes to the financial statements.

In March of 2020, the Governor of Massachusetts declared a state of emergency and ordered all non-essential business services to temporarily cease due to COVID-19 outbreak. Management expects that their operations will be affected. However, management cannot reasonably estimate the duration or the financial impact of the crisis. Additionally, management is taking steps to mitigate the negative effects of operations.