

CAPE KID MEALS, INC.
(a nonprofit corporation)

FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

CAPE KID MEALS, INC.
Table of Contents
For the Year Ended June 30, 2022

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1- 2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO FINANCIAL STATEMENTS	7 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cape Kid Meals, Inc.

Opinion

We have audited the accompanying financial statements of Cape Kid Meals, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cape Kid Meals, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cape Kid Meals, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to

- fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in

Obtain an understanding of internal control relevant to the audit in order to design audit procedures

- that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cape Kid Meals, Inc.'s internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant

- accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate,

- that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Sanders, Walsh & Eaton, CPAs, LLC

Osterville, Massachusetts

May 12, 2023

CAPE KID MEALS, INC.
Statement of Financial Position
June 30, 2022

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 370,511
Investments	581,128
Promises to give, net	45,000
Total Current Assets	996,639
Non-Current Assets:	
Prepaid rent	4,250
Operating lease right of use asset	128,942
Security deposit	8,900
Total Non-Current Assets	142,092
Total Assets	\$ 1,138,731

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 2,830
Accrued expenses	19,109
Operating lease liability-current portion	46,545
Total Current Liabilities	68,483
Long-term Liabilities:	
Operating lease liability-less current portion	83,397
Total Long-term Liabilities	83,397
Total Liabilities	151,880
Net Assets:	
Without donor restrictions	986,850
Total Net Assets	986,850
Total Liabilities and Net Assets	\$ 1,138,731

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

CAPE KID MEALS, INC.
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Support:			
Contributions and grants	\$ 683,494	\$ -	\$ 683,494
In-kind contributions	92,390	-	92,390
Special events, less \$51,454 of direct benefits to donors	52,930	-	52,930
Investment return (loss), net	(18,222)	-	(18,222)
Net assets released from restrictions	8,324	(8,324)	-
Total revenue, gains, and support	818,916	(8,324)	810,592
Expenses:			
Program	280,876		280,876
Management and general	44,061		44,061
Fund-raising	41,745		41,745
Total expenses	366,682	-	366,682
Change in Net Assets	452,234	(8,324)	443,910
Net Assets, Beginning of Year	534,616	8,324	542,940
Net Assets, End of Year	\$ 986,850	\$ -	\$ 986,850

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

CAPE KID MEALS, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program	Management and General	Fund Raising	Total
Expenses:				
Food costs	\$ 212,186	\$ -	\$ -	\$ 212,186
Advertising and marketing	9,508	3,169	-	12,677
Professional fees	4,566	4,266	4,266	13,098
Insurance	1,995	314	314	2,623
Office expenses	834	1,202	2,055	4,091
Internet	526	100	100	726
Operating lease expense	18,250	2,000	2,000	22,250
Salaries, wages & payroll taxes	33,010	33,010	33,010	99,030
Total	<u>\$ 280,876</u>	<u>\$ 44,061</u>	<u>\$ 41,745</u>	<u>\$ 366,682</u>

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

CAPE KID MEALS, INC.
Statement of Cash Flows
For the Year Ended June 30, 2022

Cash Flows from Operating Activities:	\$ 443,910
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized (gain)/loss	19,967
Changes in operating assets and liabilities:	
Accounts receivable, net	(40,400)
Prepaid rent	(4,250)
Security deposit	(8,900)
Accounts payable	1,657
Accrued expenses	19,109
Operating lease assets and liabilities	1,000
Net Cash Provided by Operating Activities	<u>432,093</u>
 Cash Flows from Investing Activities:	
Purchases of investments	<u>(601,095)</u>
Net Cash Used by Investing Activities	<u>(601,095)</u>
 Net Change in Cash & Cash Equivalents	(169,003)
 Cash & Cash Equivalents, Beginning of Year	<u>539,513</u>
 Cash & Cash Equivalents, End of Year	<u><u>\$ 370,511</u></u>

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

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Cape Kid Meals, Inc., (Organization) is a non-profit in Massachusetts that was established Sept 24, 2018. Cape Kid Meals is a food backpack program which provides nutritional food to children who are at risk of not having enough to eat over the weekend. The program serves all elementary schools across Cape Cod where there is a need. Volunteers pack and deliver weekly to all the schools. Food is provided at no cost to the children.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Income Taxes

The Organization is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an Organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. The Organization is required to file an annual Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is not subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS for the years ended June 30, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions.

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized when received and released from restrictions when the assets are placed in service.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents

The Organization considers 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.

Revenue and Revenue Recognition

Revenue related to grants that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, is recognized as the work under the contract is performed. Grants that are considered nonreciprocal transactions or contributions that further the programs of the Organization are recorded when the Organization receives notification of the grant award or contribution, or, if conditions for performance are imposed, revenue is recognized when conditions have been met.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. All goods and services are transferred at a point in time.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give 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 statement of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2022, the entire promises to give balance is expected to be collected in one year or less and is considered by management fully collectable, therefore no allowance has been estimated.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a reasonable basis that is consistently applied. The expenses that are allocated include internet and operating lease expense, which are allocated on square footage, as well as office expenses, insurance, advertising and marketing, professional fees, salaries, wages and payroll taxes, which are allocated on the basis of estimates of time and effort.

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note D). The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$12,677 during the year ended June 30, 2022.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of the Organization's mission. Investments are made by diversified investment managers whose performance is monitored by management and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Adoption of New Accounting Standards

In 2021, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$148,255 and lease liabilities totaling \$148,255 in its statement of financial position as of July 1, 2021. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2022.

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

NOTE B - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 370,511
Promises to give, net	45,000
Investments	581,128
	<u>\$ 996,639</u>

The Organization regularly monitors liquidity to meet its general expenditures and other commitments and obligations. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and its expenses related to management and general and fundraising activities undertaken to support those services. The Organization's goal is to maintain financial assets to meet 90 days of general expenditures.

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in saving accounts and money market accounts. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management prepares regular cash flow projections to determine its liquidity needs. Refer to the statement of cash flows which identifies the sources and uses of its cash.

NOTE C – LEASES:

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2022, was 5%. The Organization's operating leases consist solely of real estate leases for office space located at 1336 Main Street, Osterville, MA

For the year ended June 30, 2022, total operating lease cost was \$22,250, and total short-term lease cost was \$0. As of June 30, 2022, the weighted-average remaining lease term for the Organization's operating leases was approximately two years. Cash paid for operating leases for the year ended June 30, 2022 was \$21,250. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note A.

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE C – LEASES (Continued):

Future maturities of lease liabilities are presented in the following table, for the fiscal year ending June 30:

2023	\$	52,000
2024		54,400
2025		<u>32,550</u>
Total lease payments		138,950
Less present value discount		<u>(9,008)</u>
Total lease obligations	\$	<u><u>129,942</u></u>

NOTE D - IN-KIND CONTRIBUTIONS:

For the year ended June 30, 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

Food	\$	92,390
		<u>92,390</u>
	\$	<u><u>92,390</u></u>

Contributed food is valued at \$1.79 per pound, the approximate average wholesale value of one pound of donated food product at the national level, as outlined in studies performed by Feeding America as of calendar year 2021. Contributed food received during the year ended June 30, 2022 was unrestricted and used in program services.

NOTE E - INVESTMENT RETURN:

Investment return (loss) for the year ended June 30, 2022, consisted of the following:

Interest and dividends		2,271
Realized gains (losses)		-
Unrealized gains (losses)		(19,967)
Less advisory fees		<u>(526)</u>
		<u><u>(18,222)</u></u>

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes.

Subject to expenditure for specific purpose:

Food	\$	-
		<u>-</u>
	\$	<u><u>-</u></u>

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS (Continued):

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2022:

Satisfaction of purpose restrictions:		\$ 8,324
	Food	<u>\$ 8,324</u>
		<u>\$ 8,324</u>

NOTE G - FAIR VALUE MEASUREMENTS:

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

All of the investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values.

CAPE KID MEALS, INC.
Notes to Financial Statements
For the Year Ended June 30, 2022

NOTE G - FAIR VALUE MEASUREMENTS (Continued):

The following tables presents assets measured at fair value on a recurring basis, except those measured at cost at June 30, 2022:

	Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Mkts for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Assets</u>				
Money market funds-at cost	\$ 128,223	\$ -	\$ -	\$ -
Short-term bond mutual funds	287,732	287,732	-	-
Global equity mutual funds	165,173	165,173	-	-
	<u>\$ 581,128</u>	<u>\$ 452,905</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE H - SUBSEQUENT EVENTS:

The Organization has evaluated subsequent events through May 12, 2023, the date which the financial statements were available to be issued.