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2011

Crop Circle Kitchen, Inc.

Financial Statements
and
Auditors' Report

December 31, 2011



Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

The Board of Directors
Crop Circle Kitchen, Inc.

We were engaged to audit the financial statements of Crop Circle Kitchen, Inc., which comprise the statement of financial position as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year 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 fair 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Crop Circle Kitchen, Inc. could not provide sufficient audit evidence in regards to certain material asset, liability, revenue and expense accounts. As a result, we were unable to determine whether any adjustments were necessary relating to the existence and carrying amount of assets, liabilities, revenue and expenses.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Daniel Dennis + Company LLP

October 6, 2014

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Crop Circle Kitchen, Inc.
Statement of Financial Position
December 31, 2011

<i>Assets</i>	
<i>Current Assets</i>	
Cash	\$ 5,828
Accounts receivable	<u>15,739</u>
Total current assets	<u>21,567</u>
<i>Fixed Assets</i>	
Furniture, fixtures and equipment	75,376
Accumulated depreciation	(13,143)
Leasehold improvements	221,387
Accumulated amortization	<u>(61,049)</u>
Net fixed assets	<u>222,571</u>
<i>Other Assets</i>	
Rent and utility deposits	<u>13,700</u>
Total other assets	<u>13,700</u>
Total assets	<u><u>\$257,838</u></u>
<i>Liabilities and Net Assets</i>	
<i>Current Liabilities</i>	
Accounts payable	\$ 21,707
Accrued interest	8,067
Security deposits	<u>14,450</u>
Total current liabilities	<u>44,224</u>
<i>Long-Term Debt</i>	
Loans payable	<u>332,704</u>
Total liabilities	<u>376,928</u>
<i>Net Assets</i>	
Unrestricted	-
Temporarily restricted	<u>(119,090)</u>
Total net assets	<u>(119,090)</u>
Total liabilities and net assets	<u><u>\$257,838</u></u>

See accompanying notes to financial statements.

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Crop Circle Kitchen, Inc.
Statement of Activities
 For the Year Ended December 31, 2011

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<i>Revenue and Other Support</i>			
Rental fees	\$ 240,188	\$ -	\$ 240,188
Grants and contributions	48,800	-	48,800
Loan forgiveness	4,500	-	4,500
Class fees	3,310	-	3,310
Miscellaneous income	1,714	-	1,714
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>298,512</u>	<u>-</u>	<u>298,512</u>
<i>Expenses</i>			
Program services	244,459	-	244,459
Administration	93,832	-	93,832
Fundraising	<u>6,835</u>	<u>-</u>	<u>6,835</u>
Total expenses	<u>345,126</u>	<u>-</u>	<u>345,126</u>
Change in net assets	(46,614)	-	(46,614)
Net assets at beginning of period	<u>(72,476)</u>	<u>-</u>	<u>(72,476)</u>
Net assets at end of period	<u><u>\$ (119,090)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (119,090)</u></u>

See accompanying notes to financial statements.

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Crop Circle Kitchen, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	<i>Program Services</i>	<i>Admin- istration</i>	<i>Fund- Raising</i>	<i>Total</i>
Management fees	\$ 26,000	\$ 32,500	\$ 6,500	\$ 65,000
Professional fees	25,647	24,867	60	50,574
Occupancy	72,944	10,964	-	83,908
Utilities	22,392	287	-	22,679
Cleaning and trash removal	36,211	4,023	-	40,234
Depreciation and amortization	51,966	-	-	51,966
Interest expense	-	16,004	-	16,004
Office expense	1,113	527	156	1,796
Telephone and telecommunication	2,906	513	-	3,419
Bank and credit card fees	1,663	554	-	2,217
Insurance	1,566	392	-	1,958
Permits and filing fees	475	-	-	475
Travel and parking	1,434	512	102	2,048
Miscellaneous expense	<u>142</u>	<u>2,689</u>	<u>17</u>	<u>2,848</u>
Total	<u>\$ 244,459</u>	<u>\$ 93,832</u>	<u>\$ 6,835</u>	<u>\$ 345,126</u>

See accompanying notes to financial statements.

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Crop Circle Kitchen, Inc.
Statement of Cash Flow
For the Year Ended December 31, 2011

<i>Cash Flows From Operating Activities</i>	
Change in net assets	\$ (46,614)
Adjustments to reconcile change in net assets to net provided by operating activities:	
Depreciation and amortization	51,966
Loan forgiveness	(4,500)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(2,918)
Increase in accounts payable	6,959
Increase in security deposits	3,900
Increase in accrued interest	<u>4,371</u>
Net cash provided by operating activities	<u>13,164</u>
<i>Cash Flows From Investing Activities</i>	
Payments for fixed assets	(550)
Payments for leasehold improvements	<u>(3,490)</u>
Net cash used in investing activities	<u>(4,040)</u>
<i>Cash Flows From Financing Activities</i>	
Proceeds from loans payable	5,000
Principal payments on loans payable	<u>(8,296)</u>
Net cash used in investing activities	<u>(3,296)</u>
Net increase in cash	5,828
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ 5,828</u>
<i>Supplemental Disclosure</i>	
Cash paid for interest	<u>\$ 11,633</u>

See accompanying notes to financial statements.

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Crop Circle Kitchen, Inc.
Notes to Financial Statements
December 31, 2011

1. ***Operations***

Crop Circle Kitchen, Inc. ("CCK") was incorporated in July 2009, and was organized to secure the current and future success of Boston's only nonprofit food business incubator and shared manufacturing facility. CCK provides rental of shared commercial kitchen space combined with technical assistance for start-up and growing food producers to help build their wholesale and retail food businesses, and create local jobs.

2. ***Summary of Significant Accounting Policies***

Revenue and Expense Recognition - The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, whereby revenue is recognized when earned and expenses are recorded when incurred.

Financial Statement Format - CCK classifies its net assets, revenues and expenses into two classes of net assets - temporarily restricted and unrestricted, based on the existence or absence of donor imposed restrictions on contributions received. CCK has no temporarily restricted net assets as of December 31, 2011.

Rental Fees - The majority of CCK's revenue is from short-term rental fees for kitchen and storage services from culinary entrepreneurs who are members of the CCK incubator program. Rental fees are recorded when earned.

Contributions - Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year as received, are recorded as revenues within the unrestricted net asset class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within the temporarily restricted net asset class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fixed Assets - Assets that have a useful life of more than one year are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized at cost and are amortized over the life of the lease. Depreciation and amortization expense for the year ending December 31, 2011 totaled \$9,448 and \$42,518, respectively.

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Crop Circle Kitchen, Inc.
Notes to Financial Statements - *Continued*
December 31, 2011

2. ***Summary of Significant Accounting Policies - Continued***

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates and Assumptions - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes - CCK is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the year ended December 31, 2011, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

CCK evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. CCK has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2011 returns, and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. CCK's 2008 through 2010 tax years remain subject to examination by Federal and state tax authorities.

3. ***Lease Commitments***

CCK has entered into a lease agreement with Brewery Main Block LLC for operating space at 31 Germania Street in Jamaica Plain, MA, which expires on October 31, 2015. The lease requires monthly base rent, in addition to monthly percentage rent totaling 15% of all gross monthly income, as defined in the lease agreement, that CCK accrues in excess of \$12,000. Future base rental payments under this lease are as follows:

<i>Year</i>	<i>Amount</i>
2012	\$ 48,400
2013	\$ 50,820
2014	\$ 53,361
2015	\$ 46,305

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Crop Circle Kitchen, Inc.
Notes to Financial Statements - *Continued*
December 31, 2011

4. ***Long-Term Debt***

Long-term debt at December 31, 2011 consisted of the following:

City of Boston

Note payable to the City of Boston dated June 9, 2010. The loan is secured by CCK's business assets together with a leasehold mortgage on CCK's interest in CCK's leased premises (Note 3). All principal and interest owed on this loan is due on May 31, 2020. Accrued interest payable on this loan totaled \$8067 at December 31, 2011. This loan provides for loan forgiveness based on the number of jobs created by CCK's operations. Loan forgiveness on this loan totaled \$4,500 for the year ended December 31, 2011. \$281,000

Cooperative Fund of New England

Line of Credit dated June 9, 2010 at 7% interest per annum. This line of credit is secured by CCK's business assets and matures on June 15, 2016. 51,704

Total long-term debt	332,704
Less current portion	<u>-</u>
Net long-term debt	<u>\$332,704</u>

Future maturities of long-term debt for each of the next five years and thereafter, excluding debt forgiveness, if any, are as follows:

<i>Year</i>	<i>Amount</i>
2012	\$ -
2013	-
2014	-
2015	-
2016	51,704
Thereafter	<u>281,000</u>
Total	<u>\$332,704</u>

5. ***Subsequent Events***

CCK has evaluated subsequent events through October 6, 2014, which is the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2011 that requires recognition or additional disclosure in these financial statements.