

**CommonWealth Kitchen, Inc.**

Financial Statements  
and  
Independent Auditors' Report

December 31, 2020



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

The Board of Directors  
**CommonWealth Kitchen, Inc.**

We have audited the accompanying financial statements of CommonWealth Kitchen, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 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.

***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 financial statements referred to above present fairly, in all material respects, the financial position of Commonwealth Kitchen, Inc. as of December 31, 2020, 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.

## *Emphasis of Matter – Adoption of Accounting Pronouncement*

As discussed in Note 2 to the financial statements Commonwealth Kitchen, Inc. has adopted Accounting Standards Update (ASU) 2014-09 – *Revenue from Contracts with Customers* (Topic 606), ASU 2018-08 – *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Daniel Dennis & Company LLP*

*December 14, 2021*

**CommonWealth Kitchen, Inc.**  
**Statement of Financial Position**  
December 31, 2020

<i>Assets</i>	
<i>Current Assets</i>	
Cash	\$ 2,578,409
Accounts receivable - net	477,978
Grants receivable	330,338
Prepaid expenses	4,153
Total current assets	3,390,878
<i>Fixed Assets</i>	
Furniture, fixtures and equipment	725,975
Leasehold improvements	35,722
Accumulated depreciation and amortization	(368,583)
Net fixed assets	393,114
<i>Other Assets</i>	
Restricted cash	44,406
Deposits	17,781
Other investments	26,290
Total other assets	88,477
Total assets	\$ 3,872,469
<i>Liabilities and Net Assets</i>	
<i>Current Liabilities</i>	
Accounts payable	\$ 584,236
Accrued interest	1,793
Notes payable	248,400
Total current liabilities	834,429
<i>Other Liabilities</i>	
Security deposits	33,309
Funds held in trust	44,406
Deferred rent	57,600
Total other liabilities	135,315
Total liabilities	969,744
<i>Net Assets</i>	
Without donor restrictions	1,536,892
With donor restrictions	1,365,833
Total net assets	2,902,725
Total liabilities and net assets	\$ 3,872,469

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Revenue and Other Support</i>			
Rental and storage fees	\$ 234,088	\$ -	\$ 234,088
Grants and contributions	2,984,142	910,573	3,894,715
Management fees	22,317	-	22,317
Other fees	749,474	-	749,474
Miscellaneous income	37,100	-	37,100
Net assets released from restrictions	<u>478,000</u>	<u>(478,000)</u>	<u>-</u>
Total revenue and other support	<u>4,505,121</u>	<u>432,573</u>	<u>4,937,694</u>
<i>Expenses</i>			
Program services	3,104,104	-	3,104,104
Administration	354,710	-	354,710
Fundraising	<u>140,240</u>	<u>-</u>	<u>140,240</u>
Total expenses	<u>3,599,054</u>	<u>-</u>	<u>3,599,054</u>
Change in net assets	906,067	432,573	1,338,640
Net assets at beginning of year	<u>630,825</u>	<u>933,260</u>	<u>1,564,085</u>
Net assets at end of year	<u>\$ 1,536,892</u>	<u>\$ 1,365,833</u>	<u>\$ 2,902,725</u>

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	<i>Program</i>		<i>Fund-</i>	
	<i>Services</i>	<i>Administration</i>	<i>Raising</i>	<i>Total</i>
Salaries and wages	\$ 1,670,072	\$ 86,969	\$ 115,403	\$ 1,872,444
Payroll taxes and fringe benefits	99,332	9,097	12,750	121,179
Management and consulting fees	24,246	136,077	-	160,323
Professional fees	-	50,503	-	50,503
Rent and common area maintenance	420,951	10,605	6,412	437,968
Utilities	86,859	-	-	86,859
Cleaning and trash removal	33,867	-	-	33,867
Depreciation and amortization	103,954	1,913	1,601	107,468
Interest expense	-	1,793	-	1,793
Supplies	488,716	19,594	-	508,310
Office expense	15,718	11,333	2,964	30,015
Tools and equipment	2,840	147	-	2,987
Telephone and internet	902	5,379	445	6,726
Building security	597	-	-	597
Permits and filing fees	523	500	-	1,023
Repairs and maintenance	72,113	698	-	72,811
Insurance	35,430	652	546	36,628
Staff development	1,088	2,932	69	4,089
Bad debt expense	45,423	3,525	-	48,948
Miscellaneous expense	1,473	12,993	50	14,516
Total	<u>\$ 3,104,104</u>	<u>\$ 354,710</u>	<u>\$ 140,240</u>	<u>\$ 3,599,054</u>

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Cash Flows  
For the Year Ended December 31, 2020

<i>Cash Flows From Operating Activities</i>	
Change in net assets	\$ 1,338,640
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	107,468
Bad debt expense	48,948
Changes in operating assets and liabilities:	
Increase in accounts receivable	(412,708)
Decrease in grants receivable	180,778
Decrease in pledges receivable	6,420
Decrease in prepaid expenses	35,968
Increase in accounts payable	481,250
Decrease in security deposits	(7,622)
Increase in funds held in trust	44,406
Decrease in due to related party	(17,820)
Increase in accrued interest	<u>1,793</u>
Net cash provided by operating activities	<u>1,807,521</u>
<i>Cash Flows From Investing Activities</i>	
Payments for fixed assets	(29,699)
Purchase of investments, net	<u>3,075</u>
Net cash used in investing activities	<u>(26,624)</u>
<i>Cash Flows From Financing Activities</i>	
Proceeds from loans payable	<u>248,400</u>
Net cash provided by financing activities	<u>248,400</u>
Net increase in cash and restricted cash	2,029,297
Cash and restricted cash at beginning of year	<u>611,299</u>
Cash and restricted cash at end of year	<u><u>\$ 2,640,596</u></u>
Reconciliation of Cash and Restricted Cash	
Cash	\$ 2,578,409
Restricted cash	44,406
Deposits	<u>17,781</u>
Total cash and restricted cash	<u><u>\$ 2,640,596</u></u>

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**

Notes to Financial Statements

December 31, 2020

1. ***Operations***

CommonWealth Kitchen, Inc. (“CWK”), formerly Crop Circle Kitchen, Inc., 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. CWK 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 to 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*

CWK classifies its net assets, revenues and expenses into two classes of net assets – with donor restrictions and without donor restrictions, based on the existence or absence of donor imposed restrictions on contributions received.

*Rental Fees*

CWK’s rental income is from short-term rental fees for kitchen and storage services from culinary entrepreneurs who are members of the CWK 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 net assets without donor restrictions 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 net assets with donor restrictions class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the 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.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

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

*Accounts, Pledges and Grants Receivable*

An allowance for uncollectible accounts, pledges and grants 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 fundraising activities. Allowance for uncollectible accounts receivable totaled \$50,000 at December 31, 2020. No allowance has been recorded for pledges and grants receivable, as management has determined these accounts to be fully collectible.

*Fixed Assets/Other 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 fixed assets. Leasehold improvements are capitalized at cost and amortized over the life of the lease. CWK's website is presented on the statement of financial position net of accumulated amortization, totaling \$7,320 at December 31, 2020. Depreciation and amortization expense for the year ending December 31, 2020 totaled \$102,541 and \$4,927, respectively. Amortization expense is estimated to be \$4,927 for the next three years.

*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*

CWK 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, 2020, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

CWK 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. CWK has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2020 returns, and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. CWK's 2017 through 2019 tax years remain subject to examination by Federal and state tax authorities.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

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

*Funds Held in Trust*

At December 31, 2020, CWK is holding funds relating to the Project RestoreUS (PRU) program, which is sponsored and administered by a separate not-for-profit organization. The PRU program delivers high quality grocery boxes to families in need in the metro Boston area and is a part of CWK's CommonTable Initiative. The balance in the funds held in trust at December 31, 2020 was \$44,406.

*Investment in Limited Liability Corporation*

CWK accounts for its investment in a non-controlled limited liability corporation (LLC) using the equity method of accounting. Under the equity method, the investment is carried at cost and adjusted for the LLC's share of income, losses, additional investments, and cash distributions from the LLC. CWK ceases recognition of losses for financial statement purposes once the cost of the investment is reduced to zero. Changes in the value of the investments, which are other than temporary, are recognized as necessary.

*New Accounting Pronouncements*

During 2020, CWK adopted the provisions of FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 requires transactions to be determined as an exchange or contribution and as conditional or unconditional when a contribution has taken place.

During 2020, CWK also adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all related amendments. ASU 2014-09 supersedes most existing revenue recognition guidance. ASU 2014-09 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration CWK expects in exchange for goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

3. ***Investment in Limited Liability Corporation***

CWK has entered into a joint venture with Dorchester Bay Economic Development Corporation (DBEDC), a Massachusetts nonprofit organization, through co-membership in DB Pearl QALICB, LLC, to create a share-use and multi-tenant commercial kitchen facility, the *Bornstein & Pearl Building Food Production Small Business Center* located in Dorchester, MA (Note 5), that meets the needs of a range of start-up, early stage, growing, and established food production businesses. CWK has made member capital contributions totaling \$21,500 as of December 31, 2020. CWK is also the sole member in CCK Pearl LLC, which was created to operate this facility.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

3. ***Investment in Limited Liability Corporation - continued***

The assets and liabilities of the DB Pearl QALICB, LLC as of December 31, 2020, and revenues and expenses for the year then ended are as follows:

Assets	\$ 9,828,425
Liabilities	<u>13,601,646</u>
Equity	<u>\$ (3,773,221)</u>
Revenue	\$ 646,204
Expenses	<u>3,541,607</u>
Net loss	<u>\$ (2,895,403)</u>

No amount is recorded in the 2020 financial statements, as CWK's share of their investment is \$0.

4. ***Lease Commitments***

In connection with the operational activity of the *Bornstein & Pearl Building Food Production Small Business Center* (Note 4), CWK (through CCK Pearl LLC) has entered into a sublease agreement with DB Pearl Master Tenant LLC, a Massachusetts limited liability company, for operating space at 196 Quincy Street, Boston, MA. The term of the sublease is for ten years beginning on the date of certificate of occupancy, which occurred in late March 2014. The sublease includes an option to extend the sublease on similar terms and conditions for a period of five years. The sublease requires fixed monthly rent, in addition to annual percentage rent starting in July 1, 2015, totaling five percent (5%) of the amount by which CWK's gross income exceeds certain breakpoints, as defined in the sublease agreement. The sublease also requires payment of CWK's proportionate share of operating costs and real estate taxes with respect to the building and the property on which it is located. Total amounts expensed under this lease were \$283,436 for rent, \$154,532 for common area expenses, and \$86,859 for utilities for the year ended December 31, 2020.

Future minimum lease payments under this lease are as follows:

<i>Year</i>	<i>Amount</i>
2021	\$ 288,907
2022	297,574
2023	<u>306,501</u>
Total	<u>\$ 892,982</u>

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

5. ***Related Party Transactions***

CWK leases its facility from DB Pearl Master Tenant LLC, a Massachusetts limited liability company with DBEDC as its sole member. CWK provides cleaning services for the facility as a part of the lease, totaling \$22,317 of fee income for the year ending December 31, 2020. DBEDC invoices CWK on a monthly basis for rent, common area expenses, and utilities, totaling \$524,827 for the year then ended. At December 31, 2020, the net amount owed to DBEDC totaled \$-. CWK also has deferred rent payable on this lease totaling \$57,600 that was due in 2020. Subsequent to fiscal year 2020, the lease was amended and the deferred rent was forgiven.

6. ***Conditional Promise to Give***

During 2017, CWK received a conditional promise of \$500,000, due in \$50,000 annual increments over ten years, of which \$50,000 was received in 2020. The future payments are contingent upon the discretion of the granting organization. Since the future payments represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met.

7. ***Guaranty***

CWK has made a certain guaranty regarding a \$2.56 million loan made by Boston Community Loan Fund, Inc. (BCLF), a Massachusetts nonprofit organization, to DB Pearl Master Tenant LLC (the Borrower) for the purpose of renovating the *Bornstein & Pearl Building Food Production Small Business Center* (Note 4), inclusive of the following “Guaranteed Liabilities”:

- a. the full and prompt payment to BCLF when the loan is due, and;
- b. the prompt, full and faithful performance and discharge by the Borrower of each and every of the terms, conditions, agreements, representations and warranties on the part of the Borrower contained in any agreement.

CWK further agrees to pay all reasonable expenses, legal and otherwise paid or incurred by BCLF in endeavoring to collect the Guaranteed Liabilities or in enforcing this Guaranty. The Guaranteed Liabilities and reasonable expenses shall not exceed the sum of \$50,000 in the aggregate and all distributions received by CWK from DB Pearl QALICB, LLC. Subsequent to year end, the guaranty was removed upon the signing of a purchase and sale agreement.

8. ***Credit Risk***

CWK maintains its cash in bank deposit accounts, which at times, may exceed Federal insured limits. CWK has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash deposits.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

9. ***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2020 consisted of both pledges receivable and contributions received that have not yet been expended in accordance with donor restrictions.

Net assets with donor restrictions at December 31, 2020 are available for the following uses:

Purpose restrictions:	
Cultivating Small Businesses	\$ 145,500
Administrative and Overhead Costs	130,000
Health Food Procurement for NE Institutions	370,333
COVID Technical Assistance	85,000
Restaurant Recovery	125,000
Common Table	395,000
Time restrictions:	
Pledges receivable for operations	50,000
Operations	<u>65,000</u>
Total	<u><u>\$ 1,365,833</u></u>

Net assets released from net assets with donor restrictions during fiscal year 2020 comprised of:

Purpose restrictions:	
Cultivating Small Businesses	\$ 113,000
Health Food Procurement for NE Institutions	100,000
Time restrictions:	
Pledges receivable for operations	200,000
Operations	<u>65,000</u>
Total	<u><u>\$ 478,000</u></u>

10. ***Contingencies***

*Government Contracts*

CWK contracts with governmental agencies and third party payers. The contracts are subject to audit by the respective funding source and could result in the recapture of revenue previously reported by CWK. Management does not believe that any such disallowance, if found, would be material to CWK's financial statements. Accordingly, no provision for any liability that may result has been made in the financial statements.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

10. ***Contingencies - continued***

*Coronavirus*

On March 11, 2020, the World Health Organization has characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. declared a state of emergency. The operations and business results of CWK could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. The future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

11. ***Board Designated Net Assets***

CWK's Board of Directors established a board-designated reserve fund to be used only after consulting with the board of directors. It is anticipated the reserve will be funded annually based on the current year's net income. The board has designated \$25,000 for this reserve as December 31, 2020.

12. ***Liquidity and Availability***

The following reflects CWK's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year of the balance sheet date because of donor-imposed restrictions:

Financial assets at year end:	
Cash	\$ 2,578,409
Accounts receivable - net	477,978
Grants receivable	<u>330,338</u>
Total financial assets	3,386,725
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>1,365,833</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,020,892</u></u>

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2020

13. ***Paycheck Protection Program***

CWK obtained a note payable (the loan) from Citizens Bank, N.A. totaling \$248,400 pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act. The loan bears interest at a rate of 1% and matures April 25, 2022. At December 31, 2020, the outstanding balance was \$248,800. In accordance with the terms of the loan, CWK has applied for loan forgiveness. On April 30, 2021, the US Small Business Administration (SBA) confirmed the full and complete forgiveness of the unpaid balance of the loan principal and interest, and as such, CWK's obligations under the loan were deemed fully satisfied and paid in full at that time.

14. ***Subsequent Events***

CWK has evaluated subsequent events through December 14, 2021, which is the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020 that requires recognition or additional disclosure in these financial statements.