

**CommonWealth Kitchen, Inc.**

Financial Statements  
and  
Independent Auditors' Report

December 31, 2021



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

To the Board of Directors  
**CommonWealth Kitchen, Inc.**

***Opinion***

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, 2021, 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 CommonWealth Kitchen, Inc. as of December 31, 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CommonWealth Kitchen, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management 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 CommonWealth Kitchen, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### *Auditors' 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 auditors' 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 and *Government 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 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.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 the financial statements.
- 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 Commonwealth Kitchen, 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 Commonwealth Kitchen, Inc.'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.

*Daniel Dennis & Company LLP*

January 20, 2023

**CommonWealth Kitchen, Inc.**  
**Statement of Financial Position**  
December 31, 2021

<i>Assets</i>	
<i>Current Assets</i>	
Cash	\$ 3,775,626
Accounts receivable - net	828,717
Pledges receivable	324,030
Total current assets	4,928,373
<i>Fixed Assets</i>	
Furniture, fixtures and equipment	798,671
Leasehold improvements	35,722
Accumulated depreciation and amortization	(482,533)
Net fixed assets	351,860
<i>Other Assets</i>	
Pledges receivable	100,000
Restricted cash	107,135
Deposits	387,371
Other investments	62,409
Total other assets	656,915
Total assets	\$ 5,937,148
<i>Liabilities and Net Assets</i>	
<i>Current Liabilities</i>	
Accounts payable	\$ 156,519
Accrued expenses	553,454
Total current liabilities	709,973
<i>Other Liabilities</i>	
Security deposits	36,800
Funds held in trust	107,135
Total other liabilities	143,935
Total liabilities	853,908
<i>Net Assets</i>	
Without donor restrictions	2,811,057
With donor restrictions	2,272,183
Total net assets	5,083,240
Total liabilities and net assets	\$ 5,937,148

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Revenue and Other Support</i>			
Rental and storage fees	\$ 341,751	\$ -	\$ 341,751
Grants and contributions	1,969,932	2,288,757	4,258,689
In-kind contributions	111,876	-	111,876
Management fees	29,440	-	29,440
Other fees	858,177	-	858,177
Debt forgiveness	250,904	-	250,904
Rent forgiveness	57,600	-	57,600
Sales to public	228,218	-	228,218
Miscellaneous income	13,069	-	13,069
Net assets released from restrictions	<u>1,382,407</u>	<u>(1,382,407)</u>	<u>-</u>
Total revenue and other support	<u>5,243,374</u>	<u>906,350</u>	<u>6,149,724</u>
<i>Expenses</i>			
Program services	2,976,937	-	2,976,937
Administration	699,037	-	699,037
Fundraising	<u>293,235</u>	<u>-</u>	<u>293,235</u>
Total expenses	<u>3,969,209</u>	<u>-</u>	<u>3,969,209</u>
Change in net assets	1,274,165	906,350	2,180,515
Net assets at beginning of year	<u>1,536,892</u>	<u>1,365,833</u>	<u>2,902,725</u>
Net assets at end of year	<u>\$ 2,811,057</u>	<u>\$ 2,272,183</u>	<u>\$ 5,083,240</u>

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Functional Expenses  
For the Year Ended December 31, 2021

	<i>Program Services</i>	<i>Administration</i>	<i>Fund- Raising</i>	<i>Total</i>
Salaries and wages	\$ 1,110,785	\$ 166,973	\$ 147,474	\$ 1,425,232
Payroll taxes and fringe benefits	76,680	42,526	13,951	133,157
Management and consulting fees	361,899	220,788	125,660	708,347
Professional fees	-	179,903	-	179,903
Rent and common area maintenance	281,323	8,375	2,610	292,308
Utilities	78,680	2,342	730	81,752
Cleaning and trash removal	25,381	-	-	25,381
Depreciation and amortization	109,677	3,265	1,018	113,960
Interest expense	-	712	-	712
Supplies	634,855	4,493	-	639,348
Office expense	15,728	25,002	1,368	42,098
Tools and equipment	2,946	-	-	2,946
Telephone and internet	17,479	520	162	18,161
Building security	1,010	30	9	1,049
Permits and filing fees	1,223	-	-	1,223
Repairs and maintenance	128,824	-	-	128,824
Insurance	27,285	812	253	28,350
Staff development	3,001	3,731	-	6,732
Bad debt expense	100,000	7,431	-	107,431
Miscellaneous expense	161	32,134	-	32,295
	<u>\$ 2,976,937</u>	<u>\$ 699,037</u>	<u>\$ 293,235</u>	<u>\$ 3,969,209</u>
Total				

*See accompanying notes to financial statements.*

**CommonWealth Kitchen, Inc.**  
Statement of Cash Flows  
For the Year Ended December 31, 2021

<i>Cash Flows From Operating Activities</i>	
Change in net assets	\$ 2,180,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	113,960
Forgiveness of debt	(250,904)
Bad debt expense	107,431
Changes in operating assets and liabilities:	
Increase in accounts receivable	(558,170)
Decrease in grants receivable	330,338
Increase in pledges receivable	(324,030)
Decrease in prepaid expenses	4,153
Increase in accounts payable	196,713
Increase in security deposits	3,491
Decrease in deferred rent	(57,600)
Increase in funds held in trust	62,729
Decrease in due to related party	(70,976)
Decrease in accrued interest	<u>(1,793)</u>
Net cash provided by operating activities	<u>1,735,857</u>
<i>Cash Flows From Investing Activities</i>	
Payments for fixed assets	(72,696)
Purchase of investments, net	<u>(33,625)</u>
Net cash used in investing activities	<u>(106,321)</u>
<i>No Cash Flows From Financing Activities</i>	
Net increase in cash and restricted cash	1,629,536
Cash and restricted cash at beginning of year	<u>2,640,596</u>
Cash and restricted cash at end of year	<u>\$ 4,270,132</u>
Reconciliation of Cash and Restricted Cash	
Cash	\$ 3,775,626
Restricted cash	107,135
Deposits	<u>387,371</u>
Total cash and restricted cash	<u>\$ 4,270,132</u>

*See accompanying notes to financial statements.*

## **CommonWealth Kitchen, Inc.**

### Notes to Financial Statements

December 31, 2021

#### 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, 2021

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

*Grants*

Grant revenue is recognized as services are provided and other conditions have been met. Amounts received prior to satisfying the conditions of the grant or contract are reported as deferred until conditions are met.

*Sales to Public*

CWK sales to public revenue is generated from gift boxes created by CWK from their vendor's promotional products and sold at public events.

*Accounts and Pledges Receivable*

An allowance for uncollectible accounts and pledges receivable is provided based upon management's judgement 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 \$150,000 at December 31, 2021. No allowance has been recorded for pledges 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, 2021. Depreciation and amortization expense for the year ending December 31, 2021 totaled \$109,033 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.

*Funds Held in Trust*

At December 31, 2021, 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, 2021 was \$107,135.

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2021

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

*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, 2021, 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 2021 returns, and believe they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. CWK's 2018 through 2020 tax years remain subject to examination by Federal and state tax authorities.

*Donated Services*

CWK records in-kind support for professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. For the year ended December 31, 2021, the value of donated services was \$111,876.

*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.

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

CWK previously 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, that meets the needs of a range of start-up, early stage, growing, and established food production businesses. CWK had made member capital contributions totaling \$21,500 prior to December 31, 2021. 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, 2021

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

In February of fiscal year 2021, CWK transferred their 5% membership for the facility to DBEDC and subsequently entered into an agreement of purchase and sale with DB Pearl Owner LLC.

No amount is recorded in the 2021 financial statements, as the investment was transferred in February 2021 and CWK's prior year share of their investment was a net loss.

4. ***Commitments***

*Lease*

In connection with the operational activity of the *Bornstein & Pearl Building Food Production Small Business Center* (Note 3), 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 196-198 and 212 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 \$151,879 for rent, \$140,429 for common area expenses, and \$81,752 for utilities for the year ended December 31, 2021.

In February of 2021, the lease was amended and the agreement of purchase and sale signed by CWK 196 LLC, a solely owned entity of CWK, (Note 5), and DB Pearl Master Tenant LLC.

*Other*

CWK signed a purchase and sale agreement in February 2021 to purchase the building at 196-198 and 212 Quincy Street for \$7 million. The purchase of the property was financed by three loans totaling \$5 million. Subsequent to year end CWK closed on the property.

The following are maturities of notes payable for each of the next five years and thereafter:

<i>Year</i>	<i>Amount</i>
2022	\$ 6,135
2023	6,486
2024	25,148
2025	65,752
2026	69,513
Thereafter	<u>3,019,464</u>
Total	<u>\$ 3,192,498</u>

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2021

5. ***Related Party Transactions***

In fiscal year 2021, CWK 196 LLC was created for purposes of purchasing the building at 196-198 Quincy Street from DB Pearl Owner LLC. CWK is the sole owner of the entity and there was no entity activity as of December 31, 2021.

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 \$29,440 of fee income for the year ending December 31, 2021. DBEDC invoices CWK on a monthly basis for rent, common area expenses, and utilities, totaling \$374,060 for the year then ended. In February 2021, the lease was amended, deferred rent was forgiven and CWK's membership interest was transferred. At December 31, 2021, the net amount owed to DBEDC was \$0.

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 2021. 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 3), 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. In February 2021, as a condition of the lease amendment and purchase and sale agreement, the guaranty was removed.

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, 2021

9. ***Liquidity and Availability***

The following reflects CWK's financial assets as of December 31, 2021, 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	\$ 3,775,626
Accounts receivable - net	<u>828,717</u>
Total financial assets	4,928,373
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>2,272,183</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 2,656,190</u></u>

10. ***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2021 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, 2021 are available for the following uses:

Purpose restrictions:	
Administrative and overhead costs	\$ 664,683
Capital expenditures	1,000,000
COVID technical assistance	42,500
Meal delivery	115,000
CommonTable	25,000
Time restrictions:	
Pledges receivable for operations	<u>425,000</u>
Total	<u><u>\$2,272,183</u></u>

**CommonWealth Kitchen, Inc.**  
Notes to Financial Statements - *Continued*  
December 31, 2021

10. ***Net Assets with Donor Restrictions – Continued***

Net assets released from net assets with donor restrictions during fiscal year 2021 comprised of:

Purpose restrictions:	
Cultivating small businesses	\$ 145,500
COVID technical assistance	85,000
CommonTable	395,000
Meal delivery	10,000
Restaurant recovery	125,000
Administrative and overhead costs	136,574
Health food procurement for NE institutions	370,333
Time restrictions:	
Operations	<u>115,000</u>
Total	<u><u>\$ 1,382,407</u></u>

11. ***Pledges Receivable***

Unconditional promises to give are recorded as receivables and revenue when received. CWK distinguishes between contributions received for both net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Pledges receivable consist of the following at December 31, 2021:

Unconditional promises to be collected in:	
One year or less	\$ 325,000
One to five years	<u>100,000</u>
Total pledges receivable	425,000
Less - discount (rate of 2.5%)	<u>(970)</u>
Net pledges receivable	<u><u>\$ 424,030</u></u>

12. ***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, 2021

13. ***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, 2021.

14. ***Paycheck Protection Program***

In 2020, 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. During fiscal year 2020, in accordance with the terms of the loan, CWK applied for loan forgiveness. In April of fiscal year 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.

15. ***Subsequent Events***

On February 10, 2022, CWK 196 LLC, an entity wholly owned by CWK purchased 196-198 & 212 Quincy Street, of which CWK previously leased, from DB Pearl Master Tenant LLC for \$7 million and assumed ownership.

CWK has evaluated subsequent events through January 20, 2023, which is the date the financial statements were available to be issued. No additional events have occurred that requires recognition or additional disclosure in these financial statements.