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2014 Audit

054147

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Financial Statements

December 31, 2014

Notes to Financial Statements

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Independent Auditor's Report

The Board of Directors
The Urban Food Initiative, Inc.
d/b/a Daily Table
Dorchester, Massachusetts

2014 Audit

054147

We have audited the accompanying financial statements of The Urban Food Initiative, Inc., d/b/a Daily Table, which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and changes in net assets, cash flows, and functional expenses 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 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 auditor's 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 The Urban Food Initiative, Inc., d/b/a Daily Table as of December 31, 2014, and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
October 2, 2015

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Statement of Financial Position
December 31, 2014

Assets:

Cash	\$ 391,045
Contributions receivable	268,000
Inventory	31,080
Construction-in-process	219,464
Security deposit	<u>40,000</u>

Total assets	\$ 949,589
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Liabilities and net assets

Liabilities:

Accounts payable and accrued expenses	\$ 389,953
Deferred rent	<u>10,492</u>

Total liabilities	<u>400,445</u>
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Net assets:

Unrestricted	281,144
Temporarily restricted	<u>268,000</u>

Total net assets	<u>549,144</u>
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Total liabilities and net assets	\$ 949,589
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THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Grants and contributions	\$ 619,805	\$ 304,000	\$ 923,805
In-kind contributions	161,998	-	161,998
Interest Income	3	-	3
Released from restrictions	36,000	(36,000)	-
Total revenue and support	<u>817,806</u>	<u>268,000</u>	<u>1,085,806</u>
Expenses:			
Programs	216,548	-	216,548
Management and general	198,606	-	198,606
Fundraising	68,409	-	68,409
Total expenses	<u>483,563</u>	<u>-</u>	<u>483,563</u>
Change in net assets	334,243	268,000	602,243
Net assets, beginning	<u>(53,099)</u>	<u>-</u>	<u>(53,099)</u>
Net assets, ending	<u>\$ 281,144</u>	<u>\$ 268,000</u>	<u>\$ 549,144</u>

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Statement of Cash Flows
For the Year Ended December 31, 2014

Cash flows provided by operating activities:

Changes in net assets	\$ 602,243
Changes in operating assets and liabilities:	
Grants receivable	(268,000)
Inventory	(31,080)
Accounts payable and accrued expenses	289,954
Deferred rent	10,492
Net cash provided by operating activities	<u>603,609</u>

Cash flows used in investing activities:

Payment of security deposit	(40,000)
Purchase of construction in process	(219,464)
Cash used in investing activities	<u>(259,464)</u>

Net increase in cash 344,145

Cash at beginning of year 46,900

Cash at end of year \$ 391,045

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 128,743	\$ 64,338	\$ 13,573	\$ 206,654
Consulting and professional fees	39,988	122,979	39,081	202,048
Payroll taxes and benefits	14,513	6,453	1,193	22,159
Bank charges and fees	1,276	1,132	13,130	15,538
Occupancy	10,492	2,010	-	12,502
Donated food distributed	11,513	-	-	11,513
Kitchen related expenses	9,406	-	-	9,406
Insurance	-	1,279	-	1,279
Travel	-	-	1,087	1,087
Conferences and meetings	164	-	345	509
Promotion	453	-	-	453
Office expense	-	415	-	415
Total expenses	<u>\$ 216,548</u>	<u>\$ 198,606</u>	<u>\$ 68,409</u>	<u>\$ 483,563</u>

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Notes to Financial Statements

1. Organization and Purpose

Founded on July 25, 2012, The Urban Food Initiative, Inc., d/b/a Daily Table (the "Organization") is an innovative retail approach to providing affordable wholesome food to the economically disadvantaged and underserved in the Boston inner city area to help solve the social challenge of hunger and obesity in America.

Daily Table's ability to build a suitable store front was dependent on its ability to raise significant funding prior to the commencement of operations. However, the Organization's ability to raise funds was limited until it received tax-exempt status from the Internal Revenue Service ("IRS"). Therefore, on September 25, 2012, Daily Table entered into a fiscal sponsorship agreement with The Boston Foundation ("TBF"). This arrangement allowed the Organization to solicit and receive funds while it awaited its tax-exempt determination from the IRS. TBF remitted funds to Daily Table as the Organization incurred costs to plan its operations, hire employees, and conduct fundraising activities.

On December 11, 2014, Daily Table was recognized as a tax-exempt entity by the IRS, and shortly thereafter, TBF remitted the funds it was holding on the Organization's behalf. In addition, since several funders made installment pledges or promised to make gifts upon receipt of Daily Table's exempt status, the right to receive these funds was transferred to the Organization. Accordingly, Daily Table received from TBF cash of \$329,805 and pledges of \$268,000.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

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

Unrestricted net assets consist of operating resources expendable for support of the Organization's general operations.

Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that must be maintained permanently.

The Organization had no permanently restricted net assets at December 31, 2014 or during the year then ended.

Cash

Cash consists of checking account deposits maintained at a bank.

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor imposed restrictions. Contributions and grants that are classified as temporarily restricted are reclassified to unrestricted net assets upon satisfaction of the program restriction or expiration of the time restrictions.

Contributions receivable expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the net present value of estimated future cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization receives various types of in-kind support in the form of contributed services and contributed assets. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, as provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed assets are recorded at the fair value on the date of contribution.

Interest income on a savings account is recorded as revenue and support of unrestricted net assets unless the income is restricted by donor or law.

Inventory

Inventory consists of donated food items that are available for resale or for the preparation of prepackaged meals. Management estimates the carrying value of inventory to be \$1.69 per pound based on the value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology.

Construction-in-process

Construction in-process is comprised of expenditures that are anticipated to have significant future benefit and are stated at cost. Costs include construction, store equipment and fixtures. Upon completion of construction, the project cost will be reclassified to a property and equipment account and depreciated.

Rent Expense

Rent expense is recorded on a straight-line basis over the term of the lease, which includes the period allowed under the agreement where the Organization occupies the premises rent-free.

Use of Estimates and Subsequent Events

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, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

The Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on October 2, 2015, the date these financial statements became available to be issued. No events have occurred subsequent to the statement of financial position date and through the date of evaluation that meet the criteria required for disclosure or accrual.

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 and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on usage or other equitable bases established by management.

Income Taxes

The Organization operates as a supporting organization described in Internal Revenue Code Section 501(c)(3) and, therefore, is exempt from Federal income taxes. The Organization is also exempt from Massachusetts income taxes under Massachusetts General Law Chapter 180.

Returns for tax years beginning with those filed for the year ended December 31, 2011 are open to examination.

3. Contributions Receivable

Contributions receivable at December 31, 2014 are as follows:

Foundations and corporations	\$ 238,000
Individuals	30,000
	<u>\$ 268,000</u>

Contributions receivable are expected to be collected in one year or less. In addition, at December 31, 2014, Daily Table had conditional pledges of \$1,350,000 which will not be recognized as assets in the statements of financial position until such time as conditions are met.

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Notes to Financial Statements

4. Construction-in-Process

Construction in process consisted of the following at December 31, 2014:

Leasehold improvements	\$ 155,042
Equipment	<u>64,422</u>
	<u>\$ 219,464</u>

As of December 31, 2014, the Organization had entered into a commitment with a contractor for \$775,214 to renovate the space that will serve as its store front. For the year ended December 31, 2014, the contractor completed \$155,042 of work under the agreement. Accordingly, management estimates that it will be obligated for an additional \$620,172 to complete the work in the following year. This estimate is subject to change as construction continues.

5. Temporarily Restricted Net Assets

During the year ended December 31, 2014 temporarily restricted net assets consisted of amounts from contributions receivable whose funds are scheduled to be received in 2015.

Net assets released from restriction during the year ended December 31, 2014 were comprised of amounts whose time restrictions have passed.

6. In-Kind Contributions

The Organization received the following in-kind contributions during the year ended December 31, 2014:

Professional services	\$ 119,405
Food inventory	<u>42,593</u>
	<u>\$ 161,998</u>

Professional services in-kind revenue is primarily from one vendor.

7. Lease Commitments

On April 30, 2014, Daily Table entered into a lease agreement for retail space located in Dorchester, Massachusetts. The lease has an initial term of five years with the option to extend the lease for two additional five year periods. The lease required a \$40,000 deposit upon execution of the agreement. The lease provided the Organization with a right to terminate the agreement if it was unable to obtain its tax-exempt status and operate the retail store. The agreement also provided for Daily Table with three months of free rent following the date of receiving its tax-exempt status by the IRS.

THE URBAN FOOD INITIATIVE, INC.
d/b/a DAILY TABLE

Notes to Financial Statements

7. Lease Commitments (continued)

Minimum future rental payments for the years ending December 31, are as follows:

2015	\$	101,465
2016		129,006
2017		130,455
2018		137,703
2019		139,152
Thereafter		<u>23,192</u>
	\$	<u><u>660,972</u></u>

Total rent expense incurred in connection with this lease agreement is \$10,492 and is included in occupancy expense on the statement of functional expenses.

8. Concentration Risk

The Organization maintains deposits at a bank. At times, the balance in the checking account exceeds federally insured limits. The Company believes that there is no significant risk with respect to these deposits.

Revenue from three donors approximated 51% of total revenues for the year ended December 31, 2014. Accounts receivable from three donors approximated 83% of total accounts receivable.