

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

Financial Statements

December 31, 2015 and 2014

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

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

We have audited the accompanying financial statements of The Urban Food Initiative, Inc., d/b/a Daily Table, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2015 and 2014, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edelstein & Company LLP

Boston, Massachusetts
October 7, 2016

THE URBAN FOOD INITIATIVE, INC.
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Statements of Financial Position
December 31,

	2015	2014
Assets		
Current assets		
Cash	\$ 291,434	\$ 391,045
Accounts receivable	35,000	-
Grants and pledges receivable	110,000	268,000
Inventory, net	20,167	31,080
Total current assets	<u>456,601</u>	<u>690,125</u>
Property, plant and equipment, net	1,018,595	-
Construction-in-process	-	219,464
Security deposit	10,000	40,000
Total assets	<u><u>\$ 1,485,196</u></u>	<u><u>\$ 949,589</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 210,090	\$ 389,953
Deferred rent	62,704	10,492
Total current liabilities	<u>272,794</u>	<u>400,445</u>
Net assets:		
Unrestricted	1,046,802	281,144
Temporarily restricted	165,600	268,000
Total net assets	<u>1,212,402</u>	<u>549,144</u>
Total liabilities and net assets	<u><u>\$ 1,485,196</u></u>	<u><u>\$ 949,589</u></u>

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Statements of Activities and Changes in Net Assets
For the Years Ended December 31,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Net store sales	\$ 601,067	\$ -	\$ 601,067	\$ -	\$ -	\$ -
Grants and contributions	1,300,889	453,000	1,753,889	619,805	304,000	923,805
In-kind contributions	168,333	-	168,333	161,998	-	161,998
Interest Income	10	-	10	3	-	3
Released from restrictions	555,400	(555,400)	-	36,000	(36,000)	-
Total revenue and support	2,625,699	(102,400)	2,523,299	817,806	268,000	1,085,806
Expenses:						
Program expenses:						
Cost of retail sales	855,571	-	855,571	-	-	-
Other program expenses	701,965	-	701,965	216,548	-	216,548
Total program expenses	1,557,536	-	1,557,536	216,548	-	216,548
Support services:						
Management and general	246,505	-	246,505	198,606	-	198,606
Fundraising	56,000	-	56,000	68,409	-	68,409
Total support services	302,505	-	302,505	267,015	-	267,015
Total expenses	1,860,041	-	1,860,041	483,563	-	483,563
Change in net assets	765,658	(102,400)	663,258	334,243	268,000	602,243
Net assets, beginning	281,144	268,000	549,144	(53,099)	-	(53,099)
Net assets, ending	\$ 1,046,802	\$ 165,600	\$ 1,212,402	\$ 281,144	\$ 268,000	\$ 549,144

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

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Statements of Cash Flows

For the Years Ended December 31,

2015

2014

Cash flows provided by operating activities:

Changes in net assets	\$ 663,258	\$ 602,243
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	113,623	-
Change in reserve for inventory obsolescence	2,241	-
Donated inventory	-	(31,080)
Changes in operating assets and liabilities:		
Accounts receivable	(35,000)	-
Grants and pledges receivable	158,000	(268,000)
Inventory	8,672	-
Accounts payable and accrued expenses	(179,863)	289,954
Deferred rent	52,212	10,492
Net cash provided by operating activities	783,143	603,609

Cash flows used in investing activities:

Refund (payment) of security deposit	30,000	(40,000)
Purchase of construction in process	-	(219,464)
Purchase of property, plant and equipment	(912,754)	-
Cash used in investing activities	(882,754)	(259,464)

Net (decrease) increase in cash

(99,611) 344,145

Cash at beginning of year

391,045 46,900

Cash at end of year

\$ 291,434 \$ 391,045

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Statements of Functional Expenses
For the Years Ended December 31,

	2015				2014			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Cost of retail sales	\$ 855,571	\$ -	\$ -	\$ 855,571	\$ -	\$ -	\$ -	\$ -
Consulting and professional fees	94,078	172,738	40,859	307,675	39,988	122,979	39,081	202,048
Salaries	231,996	45,541	12,842	290,379	128,743	64,338	13,573	206,654
Occupancy	188,881	3,735	491	193,107	10,492	2,010	-	12,502
Depreciation	113,267	62	294	113,623	-	-	-	-
Kitchen related expenses	33,584	-	-	33,584	9,406	-	-	9,406
Payroll taxes and benefits	23,682	4,669	1,317	29,668	14,513	6,453	1,193	22,159
Promotion	15,178	-	-	15,178	453	-	-	453
Office expense	1,148	9,188	197	10,533	-	415	-	415
Bank charges and fees	-	9,196	-	9,196	1,276	1,132	13,130	15,538
Insurance	-	1,376	-	1,376	-	1,279	-	1,279
Travel and meetings	151	-	-	151	164	-	1,432	1,596
Donated food distributed	-	-	-	-	11,513	-	-	11,513
Total expenses	<u>\$ 1,557,536</u>	<u>\$ 246,505</u>	<u>\$ 56,000</u>	<u>\$ 1,860,041</u>	<u>\$ 216,548</u>	<u>\$ 198,606</u>	<u>\$ 68,409</u>	<u>\$ 483,563</u>

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

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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.

The Organization opened its first store on June 4, 2015 in Dorchester, Massachusetts. Its principle activity is working with a network of growers, supermarkets, and other suppliers who donate food. In turn, the food is sold to its customers at an affordable price. The Organization also provides ready to eat meals whose price is designed to fit within every budget. In addition to its store sales, the Organization receives significant support from foundations, corporations and individuals who support its mission.

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, 2015 and 2014 or during the year then ended.

Cash

Cash consists of checking account deposits maintained at a bank.

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue and Support

Store sales are recognized as revenue at the time of sale net of applicable discounts or coupons.

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.

Grants and pledges 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 in unrestricted net assets unless the income is restricted by donor or law.

Inventory and Cost of Goods Sold

Inventory consists of purchased and donated food items that are available for resale or for the preparation of prepackaged meals. Purchased food items are reported at the lower of cost or market.

In 2014, the Organization received a limited amount of donated food, which management estimated at \$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. For 2015, management estimated that the donated inventory has no value due to the effort and cost connected with recovering, sorting and processing the food items. Accordingly, no value has been assigned to donated inventory in the accompanying financial statements as of or for the year ended December 31, 2015.

A reserve for inventory obsolescence has been established based on the estimated spoilage rate of purchased food product at December 31, 2015. No obsolescence reserve was deemed necessary by management as of December 31, 2014 based on the nature of donated food on hand as of that date.

Cost of retail sales includes cost of inventory sold during the period (net of discounts and allowances), food preparation costs and distribution costs as well as the salary and payroll taxes of kitchen staff.

Property and Equipment

Expenditures for property and equipment are stated at cost. Expenditures for maintenance, repairs, and renewals are charged to expense when incurred, whereas additions greater than \$1,000 are capitalized. Depreciation is recorded to allocate the cost of these assets over their estimated useful lives using the straight-line method. Estimated useful lives are as follows:

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Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Equipment, including kitchen, store and office	Three to five years
Furniture and fixtures, including store and office	Five years
Leasehold improvements	Five years (lease term)

Construction in-process is comprised of expenditures that are anticipated to have significant future benefit and are stated at cost. Costs included construction, store equipment and fixtures, which upon completion of construction, were reclassified to a property and equipment account and depreciated during the year ended December 31, 2015.

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. Rent expense is reported as a component of occupancy in the statements of functional expenses.

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 Organization's management has evaluated the effect which subsequent events may have on these financial statements. Management's evaluation was completed on October 7, 2016, 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, 2012 are open to examination.

Reclassifications

Certain amounts from 2014 have been reclassified on these financial statements in order to conform to 2015 presentation.

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3. Grants and Pledges Receivable

Grants and pledges receivable at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Foundations and corporations	\$ 105,000	\$ 238,000
Individuals	5,000	30,000
	<u>\$ 110,000</u>	<u>\$ 268,000</u>

Grants and pledges receivable are expected to be collected in one year or less. In addition, at December 31, 2015, Daily Table had conditional pledges of \$1,350,000 which will not be recognized as assets in the statement of financial position until such time as conditions are met.

4. Inventory

Inventory consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Donated inventory	\$ -	\$ 31,080
Purchased inventory	22,408	-
Less: inventory obsolescence	(2,241)	-
	<u>\$ 20,167</u>	<u>\$ 31,080</u>

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2015:

Leasehold improvements	\$ 869,453
Furniture and fixtures	7,800
Equipment	254,965
Total property and equipment	<u>1,132,218</u>
Accumulated depreciation	<u>(113,623)</u>
	<u>\$ 1,018,595</u>

Construction in process, which was comprised of \$219,464 (\$155,042 of leasehold improvements and \$64,422 of equipment) was reclassified to property, plant and equipment when placed in service on June 4, 2015.

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Notes to Financial Statements

6. Temporarily Restricted Net Assets

During the years ended December 31, 2015 and 2014 temporarily restricted net assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Time restrictions	\$ 160,000	\$ 268,000
Marketing fellow	<u>5,600</u>	<u>-</u>
	<u>\$ 165,600</u>	<u>\$ 268,000</u>

Net assets released from restrictions during the years ended December 31, 2015 and 2014 were comprised of amounts whose time restrictions have passed.

7. In-Kind Contributions

The Organization received the following in-kind contributions during the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Professional services	\$ 168,333	\$ 119,405
Food inventory	<u>-</u>	<u>42,593</u>
	<u>\$ 168,333</u>	<u>\$ 161,998</u>

The Organization also received donated food with a tonnage of 361,613 pounds during 2015.

In addition, a substantial number of unpaid volunteers made significant contributions of time totaling 929 hours for the year ended December 31, 2015. The value of this contributed time has not been reflected in these financial statements since it does not meet the criteria described in Note 2.

8. Lease Commitments

On April 30, 2014, the Organization 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 the Organization with three months of free rent following the date of receiving its tax-exempt status by the IRS. During the year ended December 31, 2015, the Organization was refunded \$30,000 of the security deposit as provided in the lease agreement.

During 2015, the Organization exercised a lease incentive to assist in buildouts (MPR allowance) in which the landlord would reimburse the Organization for \$35,000 of leasehold improvements. The MPR allowance is recorded as deferred rent and amortized over the life of the lease.

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Notes to Financial Statements

8. Lease Commitments (continued)

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

2016	\$	129,006
2017		130,455
2018		137,703
2019		139,152
2020		23,192

During the years ended December 31, 2015 and 2014, rent expense was \$101,455 and \$10,492, respectively.

9. Concentration Risks

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 one donor approximated 26% of total revenues for the year ended December 31, 2015. Grants and pledges receivable from two donors approximated 95% of total grants and pledges receivable as of December 31, 2015. Revenue from three donors approximated 51% of total revenues for the year ended December 31, 2014. Grants and pledges receivable from three donors approximated 83% of total grants and pledges receivable as of December 31, 2014.