

BREAD & ROSES, INC.

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

tonneson + co

Certified Public Accountants & Consultants

BREAD & ROSES, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION JUNE 30, 2020	2
STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020	3
STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020	4
STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2020	5
NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020	6 - 11

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bread & Roses, Inc.
Lawrence, Massachusetts

We were engaged to audit the accompanying financial statements of Bread & Roses, Inc. (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2020, 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 the financial statements in accordance with U.S. generally accepted accounting principles; 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 matter 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

The Organization did not make a count of its physical inventory in 2020, stated in the accompanying financial statements at \$69,866 as of June 30, 2020. The Organization's records do not permit the application of other auditing procedures to inventory.

Disclaimer of Opinion

Because of the significance of the matter 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 the financial statements referred to in the first paragraph.

Tonneson & Company, PC

Wakefield, Massachusetts
January 25, 2021

tonneson + co

Certified Public Accountants & Consultants

401 Edgewater Place, Suite 300, Wakefield, MA 01880-6208 t. 781.245.9999 f. 781.245.8731 www.tonneson.com

BREAD & ROSES, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 291,429	\$ 88,185	\$ 379,614
Investments	500,095		500,095
Inventory	69,866		69,866
Property and equipment, net	229,603		229,603
TOTAL ASSETS	<u>\$ 1,090,993</u>	<u>\$ 88,185</u>	<u>\$ 1,179,178</u>

LIABILITIES AND NET ASSETS

LIABILITIES:			
Long-term debt	\$ 64,245	\$	\$ 64,245
Accounts payable and accrued expenses	34,119		34,119
Due to (from) other funds	(69,736)	69,736	-
TOTAL LIABILITIES	<u>28,628</u>	<u>69,736</u>	<u>98,364</u>
NET ASSETS:			
Without donor restrictions	1,062,365		1,062,365
With donor restrictions		18,449	18,449
TOTAL NET ASSETS	<u>1,062,365</u>	<u>18,449</u>	<u>1,080,814</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,090,993</u>	<u>\$ 88,185</u>	<u>\$ 1,179,178</u>

See Notes to Financial Statements.

BREAD & ROSES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND GAINS:			
Contributions and grants	\$ 1,276,574	\$ 74,000	\$ 1,350,574
Net realized and unrealized gains on investments	2,198		2,198
Interest and dividends	17,503		17,503
Net assets released for programs	<u>64,897</u>	<u>(64,897)</u>	<u>-</u>
Total support and gains	<u>1,361,172</u>	<u>9,103</u>	<u>1,370,275</u>
EXPENSES:			
Program services	1,105,747		1,105,747
Management and general	65,186		65,186
Fundraising	<u>78,032</u>		<u>78,032</u>
Total expenses	<u>1,248,965</u>	<u>-</u>	<u>1,248,965</u>
INCREASE (DECREASE) IN NET ASSETS	112,207	9,103	121,310
NET ASSETS, BEGINNING OF YEAR	<u>950,158</u>	<u>9,346</u>	<u>959,504</u>
NET ASSETS, END OF YEAR	<u>\$ 1,062,365</u>	<u>\$ 18,449</u>	<u>\$ 1,080,814</u>

See Notes to Financial Statements.

BREAD & ROSES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Food and supplies	\$ 745,324	\$ -	\$ -	\$ 745,324
Wages and related expenses	289,029	40,220	60,330	389,579
Occupancy costs and repairs	26,407	-	8,802	35,209
Office expenses	10,070	24,966	-	35,036
Depreciation	24,428	-	-	24,428
Other expenses	10,489	-	8,900	19,389
	<u>\$ 1,105,747</u>	<u>\$ 65,186</u>	<u>\$ 78,032</u>	<u>\$ 1,248,965</u>

See Notes to Financial Statements.

BREAD & ROSES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	121,310
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		24,428
Net realized and unrealized gains on investments		(2,198)
Changes in certain assets and liabilities:		
Inventory		75,279
Prepaid expenses and other current assets		550
Accounts payable and accrued expenses		12,431
		231,800
Net cash provided by operating activities		231,800

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from investments		6,104
Purchases of property and equipment		(57,325)
		(51,221)
Net cash used in investing activities		(51,221)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceed from long-term debt		64,245
		64,245
Net cash provided by financing activities		64,245

NET INCREASE IN CASH AND CASH EQUIVALENTS 244,824

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 134,790

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 379,614

See Notes to Financial Statements.

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies

Organization - Bread & Roses, Inc. (Bread & Roses) operates as a Massachusetts not-for-profit corporation providing meals to those who seek them at the Organization's center in Lawrence, Massachusetts in an atmosphere where all are welcome and valued as persons.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation - Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions include net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions include some net assets that are temporary in nature, which are subject to donor (or certain grantor) imposed stipulations, that may or will be met by actions of the Organization and/or the passage of time. Other donor (or certain grantor) imposed restrictions are perpetual in nature, whereas the donor stipulates that these resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. Donor (or grantor) imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restrictions are then reclassified to net assets without donor restrictions in the statement of activities.

Cash Equivalents - Cash equivalents are comprised principally of short-term investments with original maturities of three months or less when purchased. Cash equivalents are stated at cost which approximates market.

Estimates - The preparation of financial statements in conformity with U.S. 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.

Concentration of Credit Risk - Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of temporary cash balances and investments. The Organization places its temporary cash investments in highly rated financial institutions. The Organization has concentrated its credit risk for cash by maintaining bank deposits that exceed federal insurance. The maximum loss that could have resulted from that risk totaled approximately \$110,000 as of June 30, 2020.

Contributions - All contributions are available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. When a temporary restriction expires, 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.

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributed Services - Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2020, the Organization did not record any such amounts since no contributed services meet the above criteria. However, several volunteers have donated substantial amounts of their time to the Organization's programs and administrative services.

Investments - Investments are recorded at fair market value. The Organization accounts for investments pursuant to U.S. generally accepted accounting principles. Under these principles, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the Statement of Financial Position. Net realized and unrealized gains or losses in the fair value of the investments are reflected in the Statement of Activities. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The fair value of publicly traded mutual funds is based upon quoted market prices and net asset values. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

Inventory - Inventory consists of perishable and non-perishable donated foods and related products. Donated inventory items are valued based on the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by an international CPA firm dated December 31, 2019 prepared for Feeding America, the nation's leading domestic hunger-relief charity. At June 30, 2020, donated inventory is valued at \$1.62 per pound. During the year ended June 30, 2020, total donated inventory amounted to approximately \$655,732.

Property and Equipment - Property and equipment are stated at cost or, if acquired by gifts, at the fair market value as of the date of the gift. Depreciation is computed using the straight-line method calculated to amortize the cost of the assets over their estimated useful lives.

Functional Expenses - The costs of providing program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy cost have been allocated on a square footage basis. All other expenses are allocated based on time and effort.

Revenue Recognition - Under FASB ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), revenue is recognized when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration expected to be received in exchange for those goods or services (the transaction price).

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 1 - Summary of Significant Accounting Policies (Continued)

Income Taxes - In accordance with Section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from federal and state income taxes and, accordingly, the financial statements do not reflect a provision for income taxes. These determinations have been reviewed according to guidance in a Financial Accounting Standards Board pronouncement related to accounting for uncertainty in income taxes. In determining the recognition of uncertain tax positions, the Organization applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. As of June 30, 2020, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is generally subject to potential examination by taxing jurisdictions for the prior three years.

Recently Adopted Accounting Pronouncements - In May 2014, the Financial Accounting Standards Board issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 was originally effective for annual reporting periods of nonpublic entities beginning after December 15, 2018 before being delayed until fiscal years beginning after December 15, 2019. The Organization elected to early adopt ASC 606 effective July 1, 2019.

The Organization applied ASC 606 using the modified retrospective method, which requires recognizing the cumulative effect of initially applying the new guidance as an adjustment, if any, to the opening balance of net assets at July 1, 2019. The details of the significant changes and quantitative impact of the changes are discussed below.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. The adoption resulted in no changes in the current year and the Organization expects the impact of the adoption of the new standard to be immaterial to its changes in net assets on an ongoing basis.

Subsequent Events - The date to which events occurring after June 30, 2020 have been evaluated for possible adjustment to the financial statements or disclosures is the date of the Independent Auditor's Report which is the date the financial statements were available to be issued.

Note 2 - Availability and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$130,000). Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 2 - Availability and Liquidity (Continued)

The following table represents the Organization's financial assets as of June 30, 2020.

Financial assets at year-end:	
Cash and cash equivalents	\$ 379,614
Investments	500,095
Total financial assets	<u>879,709</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	18,449
Less estimated net assets with purpose restrictions to be met in less than a year	<u>(18,449)</u>
	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>879,709</u>

Note 3 - Investments

The Organization accounts for fair value measurements for its financial assets in accordance with U.S. generally accepted accounting principles. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. Further, the Organization maximizes the use of observable market inputs, minimizes the use of unobservable market inputs, and discloses in the form of an outlined hierarchy the details of such fair value measurements. U.S. generally accepted accounting principles specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions.

This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy.

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 3 - Investments (Continued)

The following is a description of the Organization's valuation methodologies used for investments measured at fair value:

Mutual Funds - These investments are public investment vehicles valued using the net asset value provided by the administrator of the fund and calculated at the close of business on the NYSE. The net asset value is based on the value of the underlying asset owned by the fund, minus its liabilities, and then divided by the number of shares outstanding.

Exchange Traded Funds/Common Stocks - These investments are valued at the closing price reported on the active market of which the individual securities are traded.

The following summarizes the Organization's investments measured at fair value as of June 30, 2020.

Level 1

Mutual Funds:

Large Cap	\$	91,862
Mid Cap		17,796
U.S. Balanced		91,830
Intermediate/Long-Term High-Quality U.S. Bond		112,130
Short-Term High-Quality U.S. Bond		17,009
Short-Term High-Yield U.S. Bond		1,688
Fixed Income		14,808

Exchange Traded Funds:

Large Cap		152,183
-----------	--	---------

Common Stocks:

Large Cap		<u>789</u>
-----------	--	------------

Total Level 1

\$ 500,095

Note 4 - Property and Equipment

Property and equipment at June 30, 2020 consists of the following:

Land	\$	13,721
Buildings and improvements		264,220
Motor vehicle		46,895
Equipment and furniture		<u>138,004</u>
		462,840
Less accumulated depreciation		<u>233,237</u>
Property and equipment, net	\$	<u><u>229,603</u></u>

BREAD & ROSES, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Note 5 - Long-Term Debt

During April 2020, the Organization was granted a loan in the amount of \$64,245, pursuant to the Paycheck Protection Program (“PPP”) as provided for in the Federal CARES Act. The CARES Act allows for the loan to be forgiven if certain conditions are met.

The loan matures on April 21, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on August 21, 2021, unless forgiven. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. To qualify for forgiveness, funds from the loan may only be used for payroll costs, employee benefits, rent and utilities, and certain wage and employment levels need to be maintained. The Organization intends to use the entire loan amount for qualifying expenses.

The PPP note is unsecured and guaranteed by the United States Small Business Administration. The Organization intends to apply for forgiveness of the PPP note, with the amount which may be forgiven equal to the sum of payroll costs, covered rent, and covered utility payments incurred by the Organization during the twenty-four week period beginning upon receipt of PPP term note funds, calculated in accordance with the terms of the CARES Act. The Organization has elected to account for this note under FASB ASC Topic 470, *Debt* (ASC 470). Under ASC 470, the proceeds from the note will remain as a liability in the accompanying statements of financial position until either the loan is in part or wholly forgiven, or repayment is made. If the loan is forgiven, the Organization will recognize a gain on the extinguishment of debt.

Note 6 - Net Assets with Donor Restrictions

At June 30, 2020, net assets with donor restrictions consist of temporarily restricted funds to provide guests with prepaid laundry cards.

Note 7 - COVID-19

The global COVID-19 outbreak, which began affecting the operations of the Organization in March 2020, continues to cause disruption throughout the world. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the disruption. Economic uncertainties have also arisen which are likely to impact the valuation of investments and investment income. The Organization expects that this matter will impact its operating results; however, the financial impact and duration cannot be reasonably estimated at this time.