

**FALMOUTH SERVICE CENTER, INC.**  
(a nonprofit corporation)

FINANCIAL STATEMENTS

For the Years Ended March 31, 2023 and 2022

**FALMOUTH SERVICE CENTER, INC.**  
Financial Statements  
For the Years Ended March 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Falmouth Service Center, Inc.

### ***Opinion***

We have audited the financial statements of Falmouth Service Center, Inc. (a non-profit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Falmouth Service Center, Inc. as of March 31, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Falmouth Service Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Falmouth Service Center, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's 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 auditor's 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 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, 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 Falmouth Service Center'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 Falmouth Service Center'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.

*Sanders, Walsh & Eaton, CPAs, LLC*

Osterville, Massachusetts  
September 29, 2023

**FALMOUTH SERVICE CENTER, INC.**

Statements of Financial Position

March 31, 2023 and 2022

<b>ASSETS</b>		2023	2022
<b>Current Assets:</b>			
Cash and cash equivalents			
Unrestricted		\$ 790,497	\$ 1,962,386
Restricted		19,772	23,989
Investments		4,305,829	3,033,391
Grants receivable		-	70,308
Gift certificates		25,912	18,489
Prepaid expenses		21,181	40,611
Inventory		20,604	12,354
Total Current Assets		5,183,796	5,161,529
<b>Non-Current Assets:</b>			
Property and equipment, net		1,010,197	1,142,592
Website, net		13,222	21,156
Right of use, net		951,945	-
Total Non-Current Assets		1,975,365	1,163,748
<b>Total Assets</b>		<b>\$ 7,159,161</b>	<b>\$ 6,325,276</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts payable		\$ 45,293	\$ 52,296
Accrued expenses		36,737	42,628
Operating lease liability (current portion)		88,500	-
Total Current and Total Liabilities		170,530	94,924
<b>Non-current Liabilities:</b>			
Operating lease liability (less current portion)		868,983	-
Total Non-current Liabilities		868,983	-
Total Liabilities		1,039,513	94,924
<b>Net Assets:</b>			
Without donor restrictions			
Undesignated		5,583,659	5,672,713
Board designated		500,000	500,000
With donor restrictions		35,988	57,639
Total Net Assets		6,119,647	6,230,352
<b>Total Liabilities and Net Assets</b>		<b>\$ 7,159,161</b>	<b>\$ 6,325,276</b>

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

**FALMOUTH SERVICE CENTER, INC.**

## Statement of Activities

For the Year Ended March 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Support:			
Grants and contributions	\$ 1,386,078	\$ 63,584	\$ 1,449,662
In-kind contributions	1,742,791	-	1,742,791
Revenue:			
Investment revenue	28,521	-	28,521
Other revenue	3,616	-	3,616
Net assets released from restrictions	85,234	(85,234)	-
Total Support and Revenue	<u>3,246,241</u>	<u>(21,650)</u>	<u>3,224,591</u>
Expenses:			
Program	3,042,070	-	3,042,070
Management and general	188,033	-	188,033
Fundraising	105,192	-	105,192
Total Expenses	<u>3,335,295</u>	<u>-</u>	<u>3,335,295</u>
Change in Net Assets	(89,054)	(21,650)	(110,704)
Net Assets, Beginning of Year	<u>6,172,713</u>	<u>57,639</u>	<u>6,230,352</u>
Net Assets, End of Year	<u>\$ 6,083,659</u>	<u>\$ 35,988</u>	<u>\$ 6,119,647</u>

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

**FALMOUTH SERVICE CENTER, INC.**

Statement of Activities

For the Year Ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Support:			
Grants and contributions	\$ 1,398,885	\$ 102,967	\$ 1,501,852
In-kind contributions	1,463,734	-	1,463,734
Revenue:			
Investment revenue	3,861	-	3,861
Other revenue	67,268	-	67,268
Net assets released from restrictions	80,024	(80,024)	-
Total Support and Revenue	<u>3,013,771</u>	<u>22,943</u>	<u>3,036,714</u>
Expenses:			
Program	2,167,692	-	2,167,692
Management and general	210,163	-	210,163
Fundraising	117,932	-	117,932
Total Expenses	<u>2,495,787</u>	<u>-</u>	<u>2,495,787</u>
Change in Net Assets	517,984	22,943	540,927
Net Assets, Beginning of Year	<u>5,654,729</u>	<u>34,695</u>	<u>5,689,425</u>
Net Assets, End of Year	<u>\$ 6,172,713</u>	<u>\$ 57,639</u>	<u>\$ 6,230,352</u>

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

**FALMOUTH SERVICE CENTER, INC.**  
**Statement of Functional Expenses**  
For the Year Ended March 31, 2023

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 528,510	\$ 36,832	\$ 33,312	\$ 598,654
Payroll taxes and benefits	183,981	12,822	11,596	208,399
Subtotal	712,492	49,653	44,908	807,053
Client assistance	1,889,370	-	-	1,889,370
Amortization	6,743	397	793	7,933
Auto expenses	5,836	-	-	5,836
Bank fees	-	33,636	-	33,636
Board costs	-	20,922	-	20,922
Depreciation	131,128	7,713	15,427	154,268
Hunger Network expenses	7,519	-	-	7,519
Insurance	23,247	1,367	2,735	27,349
Interest expense	108	175	-	282
Office supplies	10,250	30,751	14,802	55,803
Professional fees	-	30,154	-	30,154
Operating Lease	76,108	4,477	8,954	89,538
CAM charges	17,033	1,002	2,004	20,039
Repair and maintenance	91,607	5,389	10,777	107,772
Thrift shop expenses	29,896	-	-	29,896
Utilities	40,733	2,396	4,792	47,921
Total Expenses	<u>\$ 3,042,070</u>	<u>\$ 188,033</u>	<u>\$ 105,192</u>	<u>\$ 3,335,295</u>

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



**FALMOUTH SERVICE CENTER, INC.**

**Statement of Functional Expenses**

For the Year Ended March 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 484,856	\$ 41,209	\$ 48,985	\$ 575,051
Payroll taxes and benefits	170,230	14,468	17,199	201,897
Subtotal	<u>655,087</u>	<u>55,677</u>	<u>66,184</u>	<u>776,948</u>
Client assistance	1,133,645	-	-	1,133,645
Amortization	2,248	132	264	2,644
Auto expenses	8,953	-	-	8,953
Bank fees	-	30,264	-	30,264
Board costs	-	55,475	-	55,475
Depreciation	125,606	7,389	14,777	147,772
Hunger Network expenses	3,750	-	-	3,750
Insurance	30,997	1,823	3,647	36,467
Interest expense	-	175	-	175
Office supplies	8,080	24,240	11,668	43,988
Professional fees	-	24,293	-	24,293
Operating lease expense	71,400	4,200	8,400	84,000
CAM charges	15,390	905	1,811	18,106
Repair and maintenance	64,568	3,798	7,596	75,963
Thrift shop expenses	17,495	-	-	17,495
Utilities	30,472	1,792	3,585	35,849
Total Expenses	<u>\$ 2,167,692</u>	<u>\$ 210,163</u>	<u>\$ 117,932</u>	<u>\$ 2,495,787</u>

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

**FALMOUTH SERVICE CENTER, INC.**  
**Statements of Cash Flows**  
For the Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (110,704)	\$ 540,927
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	162,202	150,416
Gain on disposition of asset	-	(4,000)
Realized and unrealized (gains) losses on investments	4,055	-
Donated securities	(29,601)	(28,301)
(Increase) decrease in operating assets:		
Accounts receivable	70,308	(25,927)
Prepaid expenses	19,429	(19,137)
Inventory	(8,250)	10,173
Gift certificates	(7,423)	33,779
Other assets	-	7,000
Increase (decrease) in operating liabilities:		
Accounts payable	(7,003)	(8,851)
Accrued expenses	(5,891)	10,920
Net Cash Provided By Operating Activities	<u>87,121</u>	<u>666,999</u>
Cash Flows from Investing Activities:		
Sale proceeds from disposition of asset	-	4,000
Purchase of securities and reinvested dividends	(1,239,701)	(1,474,813)
Purchases of building improvements, property and equipment	(23,526)	(111,967)
Net Cash Used in Investing Activities	<u>(1,263,227)</u>	<u>(1,582,780)</u>
Net Increase (Decrease) in Cash	(1,176,106)	(915,781)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>1,986,376</u>	<u>2,902,156</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 810,270</u>	<u>\$ 1,986,376</u>
Supplemental Disclosure of Non-Cash Investing Activity		
Donated securities	<u>\$ 29,601</u>	<u>\$ 28,301</u>

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

**FALMOUTH SERVICE CENTER, INC.**  
**Notes to Financial Statements**  
For the Years Ended March 31, 2023 and 2022

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The significant accounting policies followed by Falmouth Service Center, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

Organization and Nature of Activities

The Organization was founded on August 1, 1983. The Organization is a multi-service agency established to educate, support and improve the quality of life of Cape residents in need. Major components of the Organization include the food pantry that residents may visit every week as needed, community meals, mobile fresh fruit and vegetable markets, and home delivery for elders. Food offerings are of high nutritional value and increasingly fresh vs. non-perishable items. The Organization also provides financial assistance to those who need assistance with housing or help paying utilities. Major sources of revenue come from contributions and grants from individuals, foundations, and governmental agencies and the Organization's thrift shop.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all highly liquid investments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	2023	2022
Cash and cash equivalents	\$ 790,497	\$ 1,962,386
Cash restricted to Hunger Network	19,772	23,989
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 810,270</u>	<u>\$ 1,986,376</u>

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from grants. The Organization operates on a cash basis throughout the year, recognizing receivables at the end of the year. The Organization determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At March 31, 2023 and 2022, management has determined that any allowance would be immaterial.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment returns/(losses) are reported in the statements of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**FALMOUTH SERVICE CENTER, INC.**  
Notes to Financial Statements  
For the Years Ended March 31, 2023 and 2022

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Property and Equipment

The Organization records property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years, or in the case of leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its uses and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended March 31, 2023 and 2022.

Net Assets

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

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for capital improvements and acquisitions.

*Net Assets with Donor Restrictions* - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire, that is, when a stipulated time elapses or a stipulated purpose restriction is accomplished, in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$4,965 and \$10,528 for the years ended March 31, 2023 and 2022, respectively.

**FALMOUTH SERVICE CENTER, INC.**  
Notes to Financial Statements  
For the Years Ended March 31, 2023 and 2022

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Revenue and Revenue Recognition

The Organization recognizes revenue from sales of donated goods at the time of purchase. All goods are transferred at a point in time.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization received approximately 48% and 34% its revenue in food donations from the U.S. Department of Agriculture and MEFAP, through the Greater Boston Food Bank at March 31, 2023 and 2022, respectively.

In-kind Contributions

Contributed nonfinancial assets include donated food, professional services, donated equipment, and other in-kind contributions, which are recorded at the respective fair values of the goods or services received (Note E). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services based on management's estimates of time and effort. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon an estimate of square footage usage.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

## FALMOUTH SERVICE CENTER, INC.

### Notes to Financial Statements

For the Years Ended March 31, 2023 and 2022

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

##### Income Taxes

The Organization is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

##### Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

##### Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of the total contribution and special event revenue were less than 4% for the year ended March 31, 2023 and 2022, respectively. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

##### Inventory

Inventory is comprised of goods for the food pantry program and is stated at lower of cost or market determined by the first-in-first-out method. Estimated food donations in ending inventory are excluded from inventory valuation. The Organization also receives a variety of non-cash donations for its thrift shop and warehouse operations for which the value is not recorded due to changes in price levels and obsolesces. No inventory valuation is assigned to these non-cash donations. Food inventory was \$20,604 and \$12,354 for the years ended March 31, 2023 and 2022, respectively.

**FALMOUTH SERVICE CENTER, INC.**  
Notes to Financial Statements  
For the Years Ended March 31, 2023 and 2022

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recent Adopted Accounting Standards

In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period ending March 31, 2022. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. In addition the Organization As a result of implementing ASU No. 2016-02, The Organization recognized right-of-use assets of \$951,945 and lease liabilities totaling \$957,483 in its statement of financial position as of April 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended March 31, 2023.

**NOTE B – EMPLOYEE BENEFIT PLAN:**

The Organization offers a SIMPLE IRA plan, and health and dental insurance to eligible employees. The Organization will match up to 3% of an individual's income each year if the person chooses to contribute to the plan. Pension expense was \$10,472 and \$6,227 and insurance benefits were \$146,132 and \$145,443 for the years ended March 31, 2023 and 2022, respectively.

**NOTE C – HUNGER NETWORK:**

The Organization participates in an association of local food banks which has applied for and received funding to expand the capacity of the local food banks. The Organization is the lead contact for the association and holds funds received for the association. Such funds are reflected in these financial statements as food network and as donor restricted funds for the Hunger Network. Network receipts for the years ended March 31, 2023 and 2022 were \$3,302 and \$12,787, respectively. Network disbursements for the years ended March 31, 2023 and 2022 were \$7,519 and \$3,750, respectively. Net assets with donor restrictions for the Hunger Network were \$23,842 and \$24,009 for the years ended March 31, 2023 and 2022, respectively.

## FALMOUTH SERVICE CENTER, INC.

### Notes to Financial Statements

For the Years Ended March 31, 2023 and 2022

#### NOTE D – LEASES:

The Organization's operating leases consist of a lease for 6840 square feet of retail and office space located at 141 Sandwich Road, Falmouth, Massachusetts. The retail and office space lease term includes a ten-year extension, available at the Organization's option. It is currently assumed at this time the Organization will renew the lease. Therefore, the payments associated with the extension are included in the ROU asset and the lease liability recognized as of March 31, 2023.

For the year ended March 31, 2023, total operating lease cost was \$89,539, and total short-term lease cost was \$0. As of March 31, 2023, the weighted-average remaining lease term for the Organization's operating leases were approximately 15 years. The organization is also responsible for 75% of the costs of insurance, real estate taxes and common area maintenance for the retail and office space, which is not included in the lease liabilities. The landlord requires the tenant to pay \$900 a month for these expenses as well as any balance due as a result of a detailed annual accounting. For the years ended March 31, 2023 and 2022, the Organization's total cost for insurance, real estate taxes and common area maintenance was \$20,039 and \$18,106, respectively.

Cash paid for operating leases for the year ended March 31, 2023 was \$84,000. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note A.

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending March 31:

<u>March 31,</u>	
2024	\$ 88,500
2025	90,000
2026	90,000
2027	90,000
2028	90,000
Thereafter	<u>755,437</u>
	1,203,937
Less present value discount	<u>(246,454)</u>
	<u>\$ 957,483</u>

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled \$84,000 and an additional \$18,106 for insurance, real estate taxes and common area maintenance expenses for the year ended March 31, 2022. The aggregate minimum lease payments under those operating leases as of March 31, 2022, were as follows:

<u>March 31,</u>	
2023	\$ 84,000
2024	88,500
2025	90,000
2026	90,000
2027	90,000
Thereafter	<u>112,500</u>
	<u>\$ 555,000</u>



**FALMOUTH SERVICE CENTER, INC.**  
**Notes to Financial Statements**  
For the Years Ended March 31, 2023 and 2022

**NOTE E – IN-KIND CONTRIBUTIONS:**

For the year ended March 31, 2023, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Food	\$ 583,794	Food pantry	No donor restrictions	Estimated value based on the Feeding America rate of \$1.92 per pound
Clothing & household goods	1,158,997	Thrift shop	No donor restrictions	Clothing and household goods are valued based on the selling price of the item
	<u>\$ 1,742,791</u>			

For the year ended March 31, 2022, contributed nonfinancial assets recognized within the statements of activities included the following:

	<u>Revenue Recognized</u>	<u>Utilization in Programs</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Food	\$ 532,513	Food pantry	No donor restrictions	Estimated value based on the Feeding America rate of \$1.79 per pound
Clothing & household goods	931,220	Thrift shop	No donor restrictions	Clothing and household goods are valued based on the selling price of the item
	<u>\$ 1,463,734</u>			

## FALMOUTH SERVICE CENTER, INC.

### Notes to Financial Statements

For the Years Ended March 31, 2023 and 2022

#### **NOTE G – FAIR VALUE MEASUREMENTS AND DISCLOSURES:**

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be assessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A portion of the investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

**FALMOUTH SERVICE CENTER, INC.**

Notes to Financial Statements

For the Years Ended March 31, 2023 and 2022

**NOTE G – FAIR VALUE MEASUREMENTS AND DISCLOSURES (continued):**

The following table presents assets measured at fair value on a recurring basis, except those measured at cost at March 31, 2023:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	\$ 2,170,953	\$ -	\$ -	\$ -
Mutual funds	455,425	455,425	-	-
Treasury notes	1,548,351	-	1,548,351	-
International mutual funds	131,100	131,100	-	-
	<u>\$ 4,305,829</u>	<u>\$ 586,525</u>	<u>\$ 1,548,351</u>	<u>\$ -</u>

The following table presents assets measured at fair value on a recurring basis, except those measured at cost at March 31, 2022:

	Fair Value Measurements at the End of the Reporting Period Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and money market funds (at cost)	\$ 3,033,391	\$ -	\$ -	\$ -
	<u>\$ 3,033,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE H – PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at March 31, 2023 and 2022:

	2023	2022
Land	\$ 147,573	\$ 147,573
Building and improvements	2,009,164	2,009,164
Leasehold improvements	154,923	154,923
Equipment	256,684	234,810
Vehicles	165,057	165,057
	<u>2,733,400</u>	<u>2,711,526</u>
Less accumulated depreciation	(1,723,203)	(1,568,934)
Total Property and Equipment, Net	<u>\$ 1,010,197</u>	<u>\$ 1,142,592</u>

**FALMOUTH SERVICE CENTER, INC.**  
**Notes to Financial Statements**  
For the Years Ended March 31, 2023 and 2022

**NOTE I – NET ASSETS WITH DONOR RESTRICTIONS:**

Net assets with donor restrictions are restricted for the following purposes:

	2023	2022
Subject to expenditure for a specific purpose:		
Hunger Network	\$ 23,842	\$ 24,009
Holiday	10,142	30,539
Equipment	2,004	2,004
Vocational assistance	-	304
Fresh Start program	-	783
	\$ 35,988	\$ 57,639

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended March 31, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
Hunger Network	\$ 7,519	\$ 3,750
Fresh market	2,500	3,919
Equipment	-	-
Needy Fund	21,992	43,984
Client financial assistance	1,100	12,500
Holiday	45,487	5,769
Vocational assistance	303	6,412
Fresh Start program	6,333	3,690
	\$ 85,234	\$ 80,024

**NOTE J – EMPLOYEE RETENTION CREDIT:**

The CARES Act provides an employee retention credit (ERC) subject to certain conditions such as meeting the rules for a decline in gross receipts and incurring qualifying expenses (payroll costs). ERC is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization substantially met the conditions for the tax credit under the CARES Act and received tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal year ended March 31, 2023 and 2022, the Organization recorded \$0 and \$63,268, respectively, related to the CARES Employee Retention credit in Other Revenue on the Organization's Statements of Activities. As of March 31, 2023 and 2022, the Organization has a \$0 and \$63,268 respectively, receivable balance from the United States government related to the CARES Act, which is recorded in grants receivable on the Organization's Statement of Financial Position.

## FALMOUTH SERVICE CENTER, INC.

### Notes to Financial Statements

For the Years Ended March 31, 2023 and 2022

#### NOTE K – BOARD DESIGNATED NET ASSETS:

Falmouth Service Center has a policy of maintaining a minimum cash reserve approximately equal to six months of annually budgeted operating expenses. The Board designated funds are restricted specifically for this purpose. Total Board designated net assets as of March 31, 2023 and 2022, were \$500,000 and \$500,000, respectively.

#### NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the balance sheet date reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include Board designated amounts set aside for capital improvements and acquisitions that could be drawn upon if the governing Board approves that action. However, amounts already appropriated from either donor-restricted funds or Board designated funds for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

The following reflects the Organization's financial assets as of the balance sheet date reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include Board designated amounts set aside for capital improvements and acquisitions that could be drawn upon if the governing Board approves that action. However, amounts already appropriated from either donor-restricted funds or Board designated funds for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise of the following:

Financial assets at year end:	2023	2022
Cash, cash equivalents and restricted cash	\$ 810,270	\$ 1,986,376
Investments	4,305,829	3,033,391
Accounts receivable	-	70,308
Total financial assets	<u>5,116,098</u>	<u>5,090,075</u>
Less those available for general expenditures within one year. Due to:		
Contractual or donor imposed restrictions:		
Restricted by donor with time or purpose restrictions	(35,988)	(57,639)
Board designations:		
Amounts set aside for capital improvements and acquisitions	<u>(500,000)</u>	<u>(500,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,580,110</u>	<u>\$ 4,532,436</u>

The Organization is supported by both restricted and unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period. The Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Falmouth Service Center, Inc. liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, The Organization invests cash in excess of daily requirements in short-term investments. Occasionally, the Board designates a portion of any operating surplus to its liquidity reserve, which was \$500,000 and \$500,000 as of March 31, 2023 and 2022, respectively.

**FALMOUTH SERVICE CENTER, INC.**  
Notes to Financial Statements  
For the Years Ended March 31, 2023 and 2022

**NOTE M – EVALUATION OF SUBSEQUENT EVENTS:**

The Organization has evaluated subsequent events through September 29, 2023, the date the Organization's financial statements were available to be issued.