

**BEVERLY BOOTSTRAPS  
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2018 and 2017

# BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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# DAN CLASBY & COMPANY

Certified Public Accountants

-1-

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Beverly Bootstraps Community Services, Inc.  
35 Park Street  
Beverly, MA 01915

We have audited the accompanying financial statements of Beverly Bootstraps Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 Beverly Bootstraps Community Services, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Beverly, Massachusetts  
October 23, 2018

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statements of Financial Position

June 30, 2018 and 2017

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 341,198	\$ 352,270
Cash and cash equivalents - board designated	<u>419,629</u>	<u>417,194</u>
Total cash and cash equivalents	760,827	769,464
Accounts receivable	-	5,866
Prepaid expenses and other	31,439	23,240
Pledges receivable - net, current	<u>324,321</u>	<u>464,149</u>
Total current assets	1,116,587	1,262,719
Pledges receivable - net, noncurrent	15,164	244,646
Property and equipment, net	<u>3,521,982</u>	<u>3,526,259</u>
Total Assets	\$ <u>4,653,733</u>	\$ <u>5,033,624</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Note payable - demand	\$ -	\$ -
Current portion of mortgage payable	18,400	57,000
Accounts payable and accrued expenses	<u>88,568</u>	<u>64,936</u>
Total current liabilities	<u>106,968</u>	<u>121,936</u>
Long term liabilities:		
Note payable	250,000	-
Mortgage payable, net	<u>900,344</u>	<u>1,594,499</u>
Total long term liabilities	<u>1,150,344</u>	<u>1,594,499</u>
Total Liabilities	<u>1,257,312</u>	<u>1,716,435</u>
Net assets:		
Unrestricted		
Undesignated	2,550,901	2,146,683
Board designated	<u>419,629</u>	<u>417,194</u>
Total unrestricted	2,970,530	2,563,877
Temporarily restricted	<u>425,891</u>	<u>753,312</u>
Total Net Assets	<u>3,396,421</u>	<u>3,317,189</u>
Total Liabilities and Net Assets	\$ <u>4,653,733</u>	\$ <u>5,033,624</u>

See accompanying notes to financial statements.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Statements of Activities  
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 789,192	\$ 256,881	\$ 1,046,073
Thrift shop sales	915,542	-	915,542
Contributions, in-kind	851,583	-	851,583
Special events	144,180	-	144,180
Government grants	15,000	-	15,000
Program service revenue	1,190	-	1,190
Investment income	2,969	-	2,969
Net assets released from restrictions	<u>584,302</u>	<u>( 584,302)</u>	<u>-</u>
Total support and revenue	<u>3,303,958</u>	<u>( 327,421)</u>	<u>2,976,537</u>
Expenses			
Program services:			
Program services	1,618,172	-	1,618,172
Program services - in kind	<u>771,015</u>	<u>-</u>	<u>771,015</u>
Total program services	<u>2,389,187</u>	<u>-</u>	<u>2,389,187</u>
Supporting services:			
Management and general	217,274	-	217,274
Fundraising	<u>290,844</u>	<u>-</u>	<u>290,844</u>
Total supporting services	<u>508,118</u>	<u>-</u>	<u>508,118</u>
Total expenses	<u>2,897,305</u>	<u>-</u>	<u>2,897,305</u>
Change in net assets	406,653	( 327,421)	79,232
Net assets at beginning of year	<u>2,563,877</u>	<u>753,312</u>	<u>3,317,189</u>
Net assets at end of year	\$ <u>2,970,530</u>	\$ <u>425,891</u>	\$ <u>3,396,421</u>

See accompanying notes to financial statements.

Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 663,041	\$ 210,853	\$ 873,894
Thrift shop sales	866,450	-	866,450
Contributions, in-kind	788,060	-	788,060
Special events	47,265	-	47,265
Government grants	9,485	-	9,485
Program service revenue	6,485	-	6,485
Investment income	3,353	-	3,353
Net assets released from restrictions	<u>480,551</u>	<u>( 480,551)</u>	<u>-</u>
Total support and revenue	<u>2,864,690</u>	<u>( 269,698)</u>	<u>2,594,992</u>
Expenses			
Program services:			
Program services	1,660,392	-	1,660,392
Program services - in kind	<u>753,971</u>	<u>-</u>	<u>753,971</u>
Total program services	<u>2,414,363</u>	<u>-</u>	<u>2,414,363</u>
Supporting services:			
Management and general	162,579	-	162,579
Fundraising	<u>218,145</u>	<u>-</u>	<u>218,145</u>
Total supporting services	<u>380,724</u>	<u>-</u>	<u>380,724</u>
Total expenses	<u>2,795,087</u>	<u>-</u>	<u>2,795,087</u>
Change in net assets before loss on sale of building	69,603	( 269,698)	( 200,095)
Net loss on sale of building	<u>( 123,735)</u>	<u>-</u>	<u>( 123,735)</u>
Change in net assets	( 54,132)	( 269,698)	( 323,830)
Net assets at beginning of year	<u>2,618,009</u>	<u>1,023,010</u>	<u>3,641,019</u>
Net assets at end of year	\$ <u>2,563,877</u>	\$ <u>753,312</u>	\$ <u>3,317,189</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statement of Functional Expenses

Year Ended June 30, 2018

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth &amp; Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 74,181	\$ 51,998	\$ 6,810	\$ 20,087	\$ 5,780
Client betterment - in kind	<u>545,872</u>	<u>5,370</u>	<u>10,898</u>	<u>198,583</u>	<u>10,292</u>
Total client betterment costs	<u>620,053</u>	<u>57,368</u>	<u>17,708</u>	<u>218,670</u>	<u>16,072</u>
Salaries and wages	169,775	92,090	96,587	74,256	357,635
Fringe benefits	30,404	16,186	17,231	13,374	63,348
Other personnel costs	<u>24,062</u>	<u>13,068</u>	<u>13,716</u>	<u>10,564</u>	<u>50,275</u>
Total personnel costs	<u>224,241</u>	<u>121,344</u>	<u>127,534</u>	<u>98,194</u>	<u>471,258</u>
Depreciation	19,065	8,243	12,337	12,337	45,980
Repairs and maintenance	15,580	2,488	10,127	3,835	23,625
Interest expense	10,730	3,934	6,082	6,082	22,546
Utilities	7,012	3,355	5,215	5,215	20,118
Insurance	<u>5,630</u>	<u>2,078</u>	<u>3,293</u>	<u>3,293</u>	<u>10,594</u>
Total occupancy costs	<u>58,017</u>	<u>20,098</u>	<u>37,054</u>	<u>30,762</u>	<u>122,863</u>
Office expenses	4,286	2,203	3,352	2,922	13,573
Contract labor	1,058	625	363	1,898	31,472
Special events and fundraising	-	-	-	-	-
Contract labor in kind	4,460	5,575	2,230	2,230	3,345
Bank and credit card fees	-	-	-	-	12,115
Equipment lease	3,533	1,085	3,265	1,511	7,712
Marketing	100	-	-	-	5,613
Telephone	1,427	709	1,103	1,103	4,095
Conferences, education and travel	5,775	91	740	67	2,193
Appreciation	1,197	221	282	317	1,318
Newsletters and publications	2,450	1,763	975	937	1,321
Professional fees	682	471	733	733	2,722
Bad debt expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenses	<u>24,968</u>	<u>12,743</u>	<u>13,043</u>	<u>11,718</u>	<u>85,479</u>
Total functional expenses	<u>\$ 927,279</u>	<u>\$ 211,553</u>	<u>\$ 195,339</u>	<u>\$ 359,344</u>	<u>\$ 695,672</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Capital Campaign</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 158,856
<u>-</u>	<u>-</u>	<u>-</u>	<u>771,015</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>929,871</u>
102,129	-	131,547	1,024,019
14,945	-	23,107	178,595
<u>15,142</u>	<u>-</u>	<u>18,607</u>	<u>145,434</u>
<u>132,216</u>	<u>-</u>	<u>173,261</u>	<u>1,348,048</u>
15,185	-	10,487	123,634
10,309	-	3,349	69,313
6,878	-	5,353	61,605
8,240	-	4,637	53,792
<u>5,106</u>	<u>-</u>	<u>2,809</u>	<u>32,803</u>
<u>45,718</u>	<u>-</u>	<u>26,635</u>	<u>341,147</u>
15,968	-	11,887	54,191
12	-	15,721	51,149
-	-	41,827	41,827
5,575	-	3,345	26,760
1,984	-	9,686	23,785
2,486	-	1,571	21,163
1,909	-	11,792	19,414
1,715	-	981	11,133
1,328	-	61	10,255
5,370	-	644	9,349
767	-	464	8,677
2,226	-	653	8,220
<u>-</u>	<u>( 10,047)</u>	<u>2,363</u>	<u>( 7,684)</u>
<u>39,340</u>	<u>( 10,047)</u>	<u>100,995</u>	<u>278,239</u>
\$ <u>217,274</u>	\$ <u>( 10,047)</u>	\$ <u>300,891</u>	\$ <u>2,897,305</u>



**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Statement of Functional Expenses

Year Ended June 30, 2017

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth &amp; Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 84,091	\$ 57,587	\$ 8,362	\$ 13,644	\$ 1,916
Client betterment - in kind	<u>480,196</u>	<u>15,216</u>	<u>4,601</u>	<u>244,632</u>	<u>9,326</u>
Total client betterment costs	<u>564,287</u>	<u>72,803</u>	<u>12,963</u>	<u>258,276</u>	<u>11,242</u>
Salaries and wages	155,258	114,075	104,722	80,070	356,912
Fringe benefits	22,597	16,603	15,242	11,654	51,947
Other personnel costs	<u>21,129</u>	<u>15,524</u>	<u>14,252</u>	<u>10,897</u>	<u>48,572</u>
Total personnel costs	<u>198,984</u>	<u>146,202</u>	<u>134,216</u>	<u>102,621</u>	<u>457,431</u>
Depreciation	39,970	10,285	12,258	10,832	39,894
Repairs and maintenance	11,923	4,429	6,813	6,813	25,209
Interest expense	16,724	7,224	8,929	8,886	30,798
Utilities	14,623	2,515	4,196	4,196	11,804
Insurance	5,732	2,129	3,275	3,275	12,120
Loss on disposal of equipment	-	-	-	-	-
Total occupancy costs	<u>88,972</u>	<u>26,582</u>	<u>35,471</u>	<u>34,002</u>	<u>119,825</u>
Office expenses	4,376	3,259	5,629	1,905	14,896
Contract labor	102	2,500	-	-	36,801
Special events and fundraising	-	-	-	-	-
Contract labor in kind	4,140	5,175	2,070	2,070	3,105
Bank and credit card fees	-	-	-	-	9,396
Equipment lease	4,752	1,663	1,721	1,586	7,863
Marketing	160	-	-	-	5,743
Telephone	1,795	636	993	993	3,693
Conferences, education and travel	5,523	1,287	929	257	2,130
Appreciation	529	281	399	99	624
Newsletters and publications	2,644	1,903	1,052	1,012	1,426
Professional fees	728	270	416	416	1,539
Bad debt expense	-	-	-	-	-
Total other expenses	<u>24,749</u>	<u>16,974</u>	<u>13,209</u>	<u>8,338</u>	<u>87,216</u>
Total functional expenses	<u>\$ 876,992</u>	<u>\$ 262,561</u>	<u>\$ 195,859</u>	<u>\$ 403,237</u>	<u>\$ 675,714</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>		<u>Total</u>
	<u>Capital Campaign</u>	<u>Other</u>	
\$ -	\$ -	\$ -	\$ 165,600
<u>-</u>	<u>-</u>	<u>-</u>	<u>753,971</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>919,571</u>
44,805	-	105,323	961,165
6,521	-	15,329	139,893
<u>6,097</u>	<u>-</u>	<u>14,333</u>	<u>130,804</u>
<u>57,423</u>	<u>-</u>	<u>134,985</u>	<u>1,231,862</u>
10,842	-	8,619	132,700
7,017	-	5,927	68,131
9,178	-	7,544	89,283
5,473	-	3,268	46,075
4,444	-	2,850	33,825
<u>346</u>	<u>-</u>	<u>-</u>	<u>346</u>
<u>37,300</u>	<u>-</u>	<u>28,208</u>	<u>370,360</u>
19,922	841	3,710	54,538
3,120	-	13,079	55,602
-	-	11,215	11,215
5,175	-	3,105	24,840
3,901	130	4,777	18,204
6,293	-	2,237	26,115
1,024	-	14,078	21,005
2,552	-	891	11,553
1,473	-	88	11,687
2,383	-	410	4,725
828	-	501	9,366
7,648	1,915	361	13,293
<u>-</u>	<u>10,651</u>	<u>500</u>	<u>11,151</u>
<u>54,319</u>	<u>13,537</u>	<u>54,952</u>	<u>273,294</u>
\$ <u>149,042</u>	\$ <u>13,537</u>	\$ <u>218,145</u>	\$ <u>2,795,087</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 79,232	\$( 323,830)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	123,634	132,700
Loss on disposal of equipment	-	346
Loss on sale of building	-	123,735
Amortization of debt issuance costs	924	-
Change in allowance for doubtful accounts	( 12,213)	( 8,079)
Contributions in-kind property and equipment	( 40,000)	-
Changes in operating assets and liabilities:		
Pledges and accounts receivable	387,389	264,478
Prepaid expenses	( 8,199)	3,475
Accounts payable and accrued expenses	<u>23,632</u>	<u>( 7,651)</u>
Net cash provided by operating activities	<u>554,399</u>	<u>185,174</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	-	800
Net proceeds from sale of building	-	535,643
Purchases of property and equipment	<u>( 79,357)</u>	<u>( 37,295)</u>
Net cash provided/(used) by investing activities	<u>( 79,357)</u>	<u>499,148</u>
Cash flows from financing activities:		
Proceeds from mortgage payable	965,000	-
Proceeds from note payable	700,000	-
Repayments of mortgages payable	(1,682,835)	( 588,211)
Repayments of note payable	( 450,000)	-
Debt issuance costs paid	( 15,844)	-
Repayments of note payable - demand	( 220,308)	( 225,000)
Proceeds from note payable - demand	<u>220,308</u>	<u>225,000</u>
Net cash used by financing activities	<u>( 483,679)</u>	<u>( 588,211)</u>
Net change in cash and cash equivalents	( 8,637)	96,111
Cash and cash equivalents at beginning of year	<u>769,464</u>	<u>673,353</u>
Cash and cash equivalents at end of year	\$ <u>760,827</u>	\$ <u>769,464</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ 40,000	\$ -
Cash paid during the year for:		
Interest	\$ 62,461	\$ 89,918

See accompanying notes to financial statements.

## BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

### Notes to Financial Statements

June 30, 2018 and 2017

#### **(1) Nature of Activities**

Beverly Bootstraps (the Organization) is a leading social service agency on the North Shore that started as a food pantry in a downtown Beverly Church in 1992; incorporated as Beverly Bootstraps Food Pantry in 1994; and secured IRS 501(c)(3) status in 1995. In 2007, the agency became Beverly Bootstraps Community Services, Inc. In 2008, the Organization purchased a commercial building at 371 Cabot Street in Beverly for its consolidated operations and hired its first non-founding executive director. In 2014 and 2015, the Organization conducted its first capital campaign, purchased a larger commercial facility at 35 Park Street/198 Rantoul Street and renovated the space to accommodate all its functions, including its Thrift Shop. In March of 2016, the Organization received the occupancy permit and moved. A total of 15 Board members, 42 staff members, several contractors and over 230 volunteers (whose work is valued at \$509,382 for FY18) are now involved in its work. Its mission is to provide critical resources to families and individuals so that they may achieve self-sufficiency, through emergency and long-term assistance including: access to food, housing stability, adult and youth education, counseling and advocacy. Primary support for the Organization is from donor contributions and thrift shop sales.

#### ***Food Assistance***

The Organization addresses hunger through its food assistance programs, which provide emergency food to those in need. The Food Pantry distributes food through a pantry visit or delivery Monday through Friday. In FY18, the Food Pantry distributed 327,040 pounds of food, valued at \$562,509, during 8,176 visits to 2,468 individuals (1,111 households). The Mobile Markets distributed 55,117 pounds of produce during 4,043 visits to 1,349 individuals. The summer food program for families with school age children distributed 15,960 pounds of food to 96 households during 399 additional visits to the Food Pantry during the summer months.

#### ***Client Support***

Case managers help clients cope with complex and economically challenging situations and connect people to resources and services. Direct services include housing stability through rental payment, heat and utility assistance, clothing and goods. The Organization also offers a tax preparation service for low-income households with an emphasis on collecting Earned Income Tax Credit (E.I.T.C.). In FY18 case managers handled cases for 1,420 individuals (578 households) and distributed \$49,304 directly for client betterment. Importantly, case managers leveraged almost \$45,000 from other community funds for clients. Additionally, case managers awarded 243 vouchers to the Thrift Shop for clients in need. Beverly Bootstraps ran the only free Tax Preparation Program on the North Shore in FY18 and served communities representing a broader geography. Refunds to the 285 filed returns totaled \$544,310, of which \$174,401 was through E.I.T.C. funds.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(1) Continued**

***Adult Education***

Adult classes include HiSET Test Preparation, English Language Classes, and College and Career Readiness. In FY18, 18 students passed the five HiSET tests and obtained their high school equivalency. English Language Classes remained robust in FY18 with over 200 students participating in at least one class and a regular attendance of over 35 on a regular basis. Forty-six students sought support with resume writing or support with college applications or tutoring. A new collaboration with the Beverly Public Schools offered one-to-one tutoring for some of the most challenging students.

***Youth & Family***

A holistic approach to youth and their families is the cornerstone of the Youth Program. Afterschool clubs for elementary age and middle school age students offer homework help and basic skills support from dedicated tutors and staff. Staff provides family support by acting as liaison with the schools, attending I.E.P. meetings, family coaching and a partnership with parents on the academic success of the children. This intensive case management approach to these youth offers an alternative to other after school programs. In FY18, the Organization worked with 22 children and their families. Some of these youth and others identified by the schools spent 119 weeks in summer camps. Additionally, in FY18, 669 children received school supplies including backpacks, notebooks, writing implements, pencils, markers and other items needed for their academic success. The Organization distributed holiday gifts to 676 children.

***Thrift Shop***

The Organization runs a retail Thrift Shop and relies on merchandise donations to sustain an inventory of high-quality, used clothing and household items. The thrift shop is a local community resource that provides shoppers with merchandise at discounted prices and donors the opportunity to recycle items. Clients may receive vouchers for free merchandise. In FY18, clients redeemed vouchers valued at \$9,031.

**(2) Summary of Significant Accounting Policies**

***Basis of Accounting and Presentation***

These financial statements have been prepared on the accrual basis of accounting. Income is recognized when earned and expenses are recognized when the obligation is incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(2) Continued**

***Use of Estimates***

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and to reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

For the purpose of presentation in the statements of cash flows, the Organization considers short-term investments with original maturities of three months or less to be cash equivalents.

***Pledges receivable and bad debts***

Pledges receivable consist of promises to give related to the Organization's Capital Campaign and programs. Pledges receivable are recorded in the year made. Uncollectible pledges are written-off in the year management deems them uncollectible using an allowance for uncollectible pledges. The Organization estimates uncollectible pledges at 3% of outstanding pledges. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved (3% at June 30, 2018). Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

***Inventory***

In-kind food and thrift store inventory is not recorded in the statements of financial position as the full value would be immaterial and any method for consistently recording its value has been determined to be arbitrary. Donations of used items, such as clothing, food and supplies are used in the Organization's programs or sold through its thrift store.

***Management's Review***

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 23, 2018, the date the financial statements were available to be issued.

***Property and Equipment***

Property and equipment are stated at cost or at fair market value upon receipt in the case of donated property. Depreciation is provided using the straight-line method, based on the estimated useful lives of the assets (three to forty years). Maintenance and repairs are charged to operations. Purchases of property and equipment in excess of \$1,200 are capitalized.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(2) Continued**

***Impairment of Long-Lived Assets***

The Organization has given consideration to the Financial Accounting Standards Board Statement ASC 360, Accounting for the Impairment of Long-Lived Assets (ASC 360) in its presentation of these financial statements. As of June 30, 2018, the Organization has not recognized any reduction in the carrying value of its property when considering ASC 360.

***Revenue Recognition***

Retail sale revenues are recognized at the time of sale. Revenues from contracts, grants and program fees are recognized as services are rendered or contractual commitments are met.

***Donated Services and Facilities***

Donated services and facilities are recognized as contributions in accordance with ASC 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased. Recorded donated services amounted to \$66,760 and \$26,740 during the years ended June 30, 2018 and 2017, respectively. However, many individuals volunteer their time and perform a variety of tasks that assist the organization in carrying out its mission, which are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 are not met.

***Contributions***

Contributions received are recorded upon receipt of cash in the instance of monetary contributions. Unconditional promises to give are recognized as revenue at their fair market value when the contribution is received or the pledge is made. Contributed food and back-to-school supplies are recorded at their estimated fair market value, as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Donor restricted contributions received and satisfied in the same period are included in unrestricted net assets. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(2) Continued**

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of food and non-food items are recorded using a wholesale value of \$1.72 per pound for the years ended June 30, 2018 and 2017, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$270,907 and \$179,423 for FY18 and FY17, respectively. Contributions of cash that must be used to acquire land, buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

***Functional Allocation of Expenses***

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated to programs and supporting services benefited based upon management's estimate of the percentage attributable to each function.

***Marketing***

The Organization expenses marketing and promotional costs as incurred. Marketing costs were \$19,414 and \$21,005 for the years ended June 30, 2018 and 2017, respectively.

***Income Tax Status and Uncertainty of Income Taxes***

The Organization is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Contributions are deductible by donors within the requirements of the Internal Revenue Code.

Management follows ASC Topic 740 relating to accounting for uncertainty in income taxes. As required, management has evaluated its tax positions applying a "more likely than not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the federal or state taxing authorities. Management has filed all of the organization's tax filings in a timely manner including, as permitted, allowed extensions. Years 2013 through 2017 remain subject to examination by the United States taxing authority.

***Concentration Risks***

The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. No losses have been experienced in such accounts and management regularly monitors the financial condition of the financial institutions and specific cash balances to limit its exposure to any significant credit risk.

***Reclassifications***

Certain reclassifications have been made to the prior year comparative information to conform with the current year presentation.



**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(3) Cash and Cash Equivalents – Board Designated**

Board designated savings includes \$16,664 of accumulated unrestricted interest income. The balance of the board designated funds consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Savings, money market and certificate of deposit accounts	\$ <u>419,629</u>	\$ <u>417,194</u>

**(4) Pledges Receivable**

Pledges receivable pertain to the Organization’s capital campaign and programs. Outstanding pledges receivable at June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 324,321	\$ 464,149
One to five years	37,167	296,566
More than five years	<u>-</u>	<u>-</u>
Gross pledges receivable	361,488	760,715
Less allowance for doubtful accounts	( 10,903)	( 23,116)
Less present value discount (3% rate)	<u>( 11,100)</u>	<u>( 28,804)</u>
Pledges receivable, net	\$ <u>339,485</u>	\$ <u>708,795</u>

**(5) Property and Equipment**

Property and equipment are comprised of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land, building and improvements	\$ 3,521,353	\$ 3,441,296
Office and program equipment	225,189	225,189
Software	62,895	23,595
Motor vehicles	88,559	88,559
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	3,900,342	3,780,985
Less accumulated depreciation	<u>378,360</u>	<u>254,726</u>
Property and equipment, net	\$ <u>3,521,982</u>	\$ <u>3,526,259</u>

Depreciation expense was \$123,634 and \$132,700 for the years ended June 30, 2018 and 2017, respectively.

During the fiscal year ended June 30, 2017, the Organization sold its previous operating facility at a net loss of \$123,735 as reported on the Statement of Activities.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(6) Notes Payable - Demand**

The Organization has a line of credit of \$400,000 with a local bank. There was no outstanding balance at June 30, 2018. The note carries interest at the prime rate, not less than 4.25%. The rate was 5% at June 30, 2018. This note is secured by a second mortgage on the Organization's operating facility and is cross-collateralized with the note and mortgages payable.

The Organization had a line of credit of \$625,000 with a local bank. The note carried interest at the bank's base rate (3.75% at June 30, 2018), and was paid off November 2017. The outstanding balance at June 30, 2017 was \$-0-. The line of credit was secured by all business assets and two money market accounts at the same bank which total \$417,194 as of June 30, 2017.

**(7) Note Payable**

The Organization has a term note payable to a local bank. The note originated November 2017 in the amount of \$700,000 and had an outstanding balance at June 30, 2018 of \$250,000. The note is interest only (2.75% fixed) and is due November 2019. The note is secured by a third mortgage on the Organization's operating facility and is cross-collateralized with the note payable-demand and the mortgage payable.

Future aggregate minimum principal payments are as follows:

2019	-0-
2020	\$250,000

**(8) Mortgages Payable**

Mortgages payable at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Mortgage payable originated November 2017 in the amount of \$965,000 with a ten year term, which may be extended in ten year increments so long as certain conditions are met, using a 30 year amortization. The mortgage carries interest at 4.125% fixed for ten years and adjusts on the tenth anniversary and each ten year anniversary to the FHLBB Ten Year Classic Advance rate plus 2.5%; but not less than 4.125%. Monthly principal and interest payments are \$4,709. The mortgage is secured by the Organization's operating facility and is cross-collateralized with two notes payable. Additional collateral for this mortgage is the assignment of leases and rents of the property. The mortgage contains various financial and non-financial covenants. As of June 30, 2018, management is not aware of any violations of the covenants.	\$ 933,664	\$ -
Less: Unamortized debt issuance costs	<u>14,920</u>	<u>-</u>
Mortgage payable, less unamortized debt issuance costs	918,744	-
Less: current portion	<u>18,400</u>	<u>-</u>
Mortgage payable, net of current portion and unamortized debt issuance costs	\$ <u>900,344</u>	\$ <u>-</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(8) Continued**

Future aggregate minimum principal payments over the following five fiscal years are as follows:

2019	\$ 18,400
2020	19,200
2021	20,000
2022	20,800
2023	21,700
Thereafter	<u>833,564</u>
	933,664
Less unamortized debt issuance costs	( <u>14,920</u> )
	\$ <u>918,744</u>

The mortgage payable maturing May 11, 2026, using a 25 year amortization was refinanced in November 2017. Principal and interest (4.19%) payments of approximately \$10,562 were payable monthly through May 2021. Additional collateral for this mortgage was the assignment of leases and rents of the property. The mortgage contained various financial and non-financial covenants which were not satisfied as of June 30, 2017. The principal balance of the mortgage was \$1,651,499 at June 30, 2017.

**(9) Commitments and Contingencies**

***Operating Leases***

The Organization has operating leases for various office equipment which expire at various times through 2023. For the years ended June 30, 2018 and 2017, total rental expense under these lease agreements amounted to approximately \$7,616 and \$6,649, respectively.

As of June 30, 2018, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2019	\$ 7,595
2020	7,595
2021	3,061
2022	2,106
2023	<u>384</u>
	\$ <u>20,741</u>

***PEO Agreement***

The Organization has an agreement with a professional employer organization ("PEO") to co-employ the Organization's work-site employees. Under the terms of this agreement, the PEO provides payroll and tax processing services, administers claims for unemployment, offers and administers group insurance benefits and workers compensation insurance, provides human resources services and guidance, and provides a limited legal defense benefit for employment-related claims.

Other personnel costs in the Statement of Functional Expenses include payroll taxes, workers compensation insurance and service fees in connection with this agreement.

The agreement renews annually for a one-year term.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Notes to Financial Statements

June 30, 2018 and 2017

**(10) Restrictions on Net Assets**

Temporarily restricted net assets at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Pledges receivable, net of discount and allowance for doubtful accounts	\$ 339,485	\$ 708,795
Programs	<u>86,406</u>	<u>44,517</u>
	<u>\$ 425,891</u>	<u>\$ 753,312</u>

**(11) Board Designated Net Assets**

As a component of its unrestricted net assets, the Organization has Board-designated operating and capital reserve funds whose use is limited to funding initiatives, managing cash flow interruptions, minimizing the need to borrow funds, meeting commitments and functioning as an internal line of credit. The Board has established a target amount of maintaining thirty-three (33%) percent to fifty (50%) percent of the Organization's annual budgeted operating expenses, or about three (3) to six (6) months of expenses on average.

The Board of Directors designated a \$400,000 Operating Reserve Fund (the "Fund") by vote. The general purpose of the Fund is to help to ensure the Organization's long-term financial stability, and position it to respond to varying economic conditions and changes affecting its financial position. In addition, the Board had designated \$40,000 for a capital replacement reserve. During FY16, the board appropriated \$37,035 of the operating reserve for cash flow purposes. The Fund balance includes cumulative investment income of \$16,664.

The Executive Director may access up to \$25,000 from the Fund as a revolving line of credit, provided that, in the determination of the Executive Director, sufficient accounts or grants receivable are reasonably certain to be available to repay such usage within ninety (90) calendar days.

Any funds borrowed from the Fund greater than \$25,000 or for longer than ninety (90) calendar days will be paid back through a prescribed repayment schedule. Approval of any such usage and the proposed repayment schedule shall be requested by the Executive Director from the finance committee for review, deliberation, and recommendation to the board for further deliberation and vote.

Fund activity for the years ended June 30, 2018 and 2017 follows:

	<u>Operating Reserve</u>	<u>Capital Reserve</u>	<u>Total Board Designated</u>
July 1, 2016 Reserve balances	\$ 371,783	\$ 42,916	\$ 414,699
Board appropriation/(designation)	-	-	-
Interest income	<u>2,237</u>	<u>258</u>	<u>2,495</u>
June 30, 2017 Reserve balances	374,020	43,174	417,194
Board appropriation/(designation)	-	-	-
Interest income	<u>2,183</u>	<u>252</u>	<u>2,435</u>
June 30, 2018 Reserve balances	<u>\$ 376,203</u>	<u>\$ 43,426</u>	<u>\$ 419,629</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2018 and 2017

**(11) Continued**

***Fund Investment Policy***

The Organization has adopted a conservation of principal approach with a primary investment objective of fixed income investments to generate current income and a secondary investment objective of conservative growth.

***Strategies Employed for Achieving Objectives***

The Organization has determined that a preservation of capital objective is most appropriate. This objective is designed to preserve the real value of its assets and to maintain spending in real terms. The Board cannot pay out more, on average over time, than the average real return it earns from its investment portfolio. While there is no specific spending policy in place, the Board understands they would like to achieve the return and risk characteristics consistent with the following allocation:

Cash and money market funds	80 - 100%
Equity securities	0 - 5%
Fixed income securities	0 - 20%

The Organization manages its Fund consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

**(12) Retirement Plan**

The Organization offers a retirement plan under section 401 (k) of the Internal Revenue Code for all employees aged 21 or older and having a minimum of one year of service. For each calendar year, the organization contributes a matching contribution to each eligible employee's account equal to 5% of the employee's compensation for the calendar year. All contributions to the plan are fully vested and non-forfeitable. For the years ended June 30, 2018 and 2017, matching contributions totaled \$32,900 and \$33,580, respectively.

**(13) Related Parties**

The Organization has members of its Board of Directors who are associated with vendors and banks that conduct business with the Organization. As of June 30, 2018, the Organization has their checking and loan accounts with these banks.