BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.

Financial Statements

June 30, 2019 and 2018

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Dan Clasby & Company

Beverly, Massachusetts
September 18, 2019

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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Financial Position

June 30, 2019 and 2018

Assets

	2019	2018
Current assets:		
Cash and cash equivalents	$ 260,648	$ 341,198
Cash and cash equivalents - board designated	425,292	419,629
Total cash and cash equivalents	685,940	760,827
Prepaid expenses and other	39,494	31,439
Pledges receivable - net, current	60,829	324,321
Total current assets	786,263	1,116,587
Pledges receivable - net, noncurrent	-	15,164
Property and equipment, net	3,504,811	3,521,982
Total Assets	$ 4,291,074	$ 4,653,733

Liabilities and Net Assets

	2019	2018
Current liabilities:		
Note payable - demand	$ -	$ -
Current portion of mortgage payable	16,200	18,400
Accounts payable and accrued expenses	87,568	88,568
Total current liabilities	103,768	106,968
Long term liabilities:		
Note payable	-	250,000
Mortgage payable, net	811,330	900,344
Total long term liabilities	811,330	1,150,344
Total Liabilities	915,098	1,257,312
Net assets:		
Without donor restrictions		
Undesignated	2,867,038	2,550,901
Board designated	425,292	419,629
Total without donor restrictions	3,292,330	2,970,530
With donor restrictions	83,646	425,891
Total Net Assets	3,375,976	3,396,421
Total Liabilities and Net Assets	$ 4,291,074	$ 4,653,733

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Activities

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Thrift shop sales	$ 996,318	$ -	$ 996,318
Contributions and grants	713,353	243,417	956,770
Contributions, in-kind	818,759	-	818,759
Special events	171,672	-	171,672
Government grants	17,500	-	17,500
Investment income	5,675	-	5,675
Program service revenue	928	-	928
Net assets released from restrictions	585,662	(585,662)	-
Total support and revenue	3,309,867	(342,245)	2,967,622
Expenses			
Program services:			
Program services	1,651,342	-	1,651,342
Program services - in kind	784,005	-	784,005
Total program services	2,435,347	-	2,435,347
Supporting services:			
Management and general	212,841	-	212,841
Fundraising	339,879	-	339,879
Total supporting services	552,720	-	552,720
Total expenses	2,988,067	-	2,988,067
Change in net assets	321,800	(342,245)	(20,445)
Net assets at beginning of year	2,970,530	425,891	3,396,421
Net assets at end of year	$ 3,292,330	$ 83,646	$ 3,375,976

See accompanying notes to financial statements.

Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Thrift shop sales	$ 915,542	$ -	$ 915,542
Contributions and grants	789,192	256,881	1,046,073
Contributions, in-kind	851,583	-	851,583
Special events	144,180	-	144,180
Government grants	15,000	-	15,000
Investment income	2,969	-	2,969
Program service revenue	1,190	-	1,190
Net assets released from restrictions	584,302	(584,302)	-
Total support and revenue	3,303,958	(327,421)	2,976,537
Expenses			
Program services:			
Program services	1,618,172	-	1,618,172
Program services - in kind	771,015	-	771,015
Total program services	2,389,187	-	2,389,187
Supporting services:			
Management and general	217,274	-	217,274
Fundraising	290,844	-	290,844
Total supporting services	508,118	-	508,118
Total expenses	2,897,305	-	2,897,305
Change in net assets	406,653	(327,421)	79,232
Net assets at beginning of year	2,563,877	753,312	3,317,189
Net assets at end of year	$ 2,970,530	$ 425,891	$ 3,396,421

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				
	Food Assistance	Client Support	Adult Education	Youth & Family	Thrift Shop
Client betterment	$ 72,961	$ 53,288	$ 10,941	$ 12,856	$ 4,005
Client betterment - in kind	591,928	3,911	490	176,837	10,839
Total client betterment costs	664,889	57,199	11,431	189,693	14,844
Salaries and wages	188,914	116,131	92,457	97,089	368,567
Fringe benefits	24,430	16,372	10,275	11,137	40,785
Other personnel costs	26,334	16,050	12,817	13,415	51,137
Total personnel costs	239,678	148,553	115,549	121,641	460,489
Depreciation	23,674	8,793	14,487	13,528	50,052
Repairs and maintenance	19,602	1,918	10,683	2,875	24,607
Utilities	9,380	3,484	5,360	5,360	19,831
Interest expense	7,397	2,748	4,227	4,227	15,640
Insurance	6,171	2,292	3,526	3,526	13,048
Total occupancy costs	66,224	19,235	38,283	29,516	123,178
Office expenses	6,148	2,790	3,187	3,347	12,392
Special events and fundraising	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Contract labor	1,966	-	288	-	22,500
Equipment lease	9,908	399	3,836	504	7,839
Bank and credit card fees	-	-	-	-	14,706
Appreciation	889	486	284	324	1,174
Marketing	120	-	-	-	4,703
Conferences, education and travel	6,621	1,438	656	554	1,326
Telephone	2,111	784	1,206	1,207	4,464
Newsletters and publications	3,068	2,208	1,221	1,174	1,655
Professional fees	1,543	877	1,121	1,021	2,900
Contract labor in kind	-	-	-	-	-
Total other expenses	32,374	8,982	11,799	8,131	73,659
Total functional expenses	$ 1,003,165	$ 233,969	$ 177,062	$ 348,981	$ 672,170

See accompanying notes to financial statements.

Supporting Services			
Management and General	Capital Campaign	Fundraising	Total
$ 750	$ -	$ 2,924	$ 157,725
-	-	-	784,005
750	-	2,924	941,730
101,884	-	132,414	1,097,456
14,432	-	17,273	134,704
17,553	-	18,380	155,686
133,869	-	168,067	1,387,846
14,093	-	11,769	136,396
8,573	-	2,840	71,098
5,520	-	4,663	53,598
5,541	-	3,678	43,458
3,633	-	3,068	35,264
37,360	-	26,018	339,814
13,647	-	10,932	52,443
-	-	49,467	49,467
-	(8,098)	51,075	42,977
-	-	15,034	39,788
3,567	-	670	26,723
2,339	-	9,304	26,349
14,129	-	558	17,844
1,286	-	9,978	16,087
1,607	-	1,065	13,267
1,242	-	1,049	12,063
961	-	581	10,868
1,394	-	1,255	10,111
690	-	-	690
40,862	(8,098)	150,968	318,677
$ 212,841	$ (8,098)	$ 347,977	$ 2,988,067

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2018

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

See accompanying notes to financial statements.

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$(20,445)	$ 79,232
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	136,396	123,634
Amortization of debt issuance costs	1,583	924
Change in allowance for doubtful accounts	(8,098)	(12,213)
Contributions in-kind property and equipment	(4,500)	(40,000)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	286,754	387,389
Prepaid expenses	(8,055)	(8,199)
Accounts payable and accrued expenses	(1,000)	23,632
Net cash provided by operating activities	382,635	554,399
Cash flows from investing activities:		
Purchases of property and equipment	(114,725)	(79,357)
Net cash used by investing activities	(114,725)	(79,357)
Cash flows from financing activities:		
Proceeds from mortgage payable	-	965,000
Proceeds from note payable	-	700,000
Repayments of mortgages payable	(92,797)	(1,682,835)
Repayments of note payable	(250,000)	(450,000)
Debt issuance costs paid	-	(15,844)
Repayments of note payable - demand	-	(220,308)
Proceeds from note payable - demand	-	220,308
Net cash used by financing activities	(342,797)	(483,679)
Net change in cash and cash equivalents	(74,887)	(8,637)
Cash and cash equivalents at beginning of year	760,827	769,464
Cash and cash equivalents at end of year	$ 685,940	$ 760,827
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	$ 4,500	$ 40,000
Cash paid during the year for:		
Interest	$ 52,422	$ 62,461

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(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 13 Board members, 41 staff members, several contractors and over 240 volunteers 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 FY19, the Food Pantry distributed 328,400 pounds of food, valued at $564,848 during 8,210 visits to 2,278 individuals (1,158 households). The Mobile Markets distributed 66,915 pounds of produce during 4,678 visits to 1,369 individuals. The summer food program for families with school age children distributed 25,240 pounds of food to 202 households during 763 additional visits to the Food Pantry during the summer months. The weekend bag program delivered 2,945 snack bags to 333 children throughout the elementary schools in Beverly and through a partnership with the North Shore YMCA Pass program.

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. In FY19 case managers handled cases for 977 individuals (478 households) and distributed $48,234 directly for client betterment. Importantly, case managers leveraged over $50,000 from other community funds for clients. Additionally, case managers awarded 232 vouchers to the Thrift Shop for clients in need. Beverly Bootstraps ran one of two free Tax Preparation Programs on the North Shore in FY19 and served communities representing a broader geography. Refunds to the 355 filed returns totaled $471,907, of which $210,639 was through Earned Income Tax Credit funds.

(1) Continued

Adult Education

Adult classes include HiSET Test Preparation, English Language Classes, and College and Career Readiness. In FY19, 299 students participated in the various programs, with18 students passing the five HiSET tests and obtaining their high school equivalency. English Language Classes had 178 students participating in at least one class. Forty-eight 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 FY19, the Organization worked with 24 children and their families. Some of these youth and others identified by the schools spent 82 weeks in summer camps. Additionally, in FY19, 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 652 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 FY19, clients redeemed vouchers valued at $9,283.

(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 two classes of net assets; those with donor restrictions and those without.

(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 capital campaign 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, 2019). 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 September 18, 2019, 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.

(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, 2019, 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 $690 and $66,760 during the years ended June 30, 2019 and 2018, 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. Donor restricted contributions received and satisfied in the same period are included in net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

(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, 2019 and 2018, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled $190,804 and $270,907 for FY19 and FY18, 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.

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 $16,087 and $19,414 for the years ended June 30, 2019 and 2018, 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 2014 through 2018 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.

(2) Continued

Accounting Pronouncements Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2017-02, "Accounting for Leases," which applies a right-of-use ("ROU") model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2020. Management is currently evaluating the impact of the pending adoption of ASU 2017-02.

(3) Liquidity and Availability of Financial Assets

The Organization has financial assets of $348,971 available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and equivalents of $260,648, accounts and pledges receivable of $60,829 and prepaid expenses of $27,494. None of these assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Although the Organization does not intend to spend from its board designated net assets, amounts from the board designated net assets could be made available, if necessary. As more fully described in Note 7 the Organization has a line of credit in the amount of $400,000, which it could draw upon in the event of an unanticipated liquidity need.

(4) Cash and Cash Equivalents – Board Designated

Board designated savings includes $22,327 of accumulated unrestricted interest income. The balance of the board designated funds consisted of the following at June 30, 2019 and 2018:

	2019	2018
Savings, money market and certificate of deposit accounts	$ 425,292	$ 419,629

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(5) Pledges Receivable

Pledges receivable pertain to the Organization's capital campaign and programs. Outstanding pledges receivable at June 30, 2019 and 2018 are summarized as follows:

	2019	2018
Pledges receivable expected to be collected in:		
Less than one year	$ 63,634	$ 324,321
One to five years	-	37,167
More than five years	-	-
Gross pledges receivable	63,634	361,488
Less allowance for doubtful accounts	(2,805)	(10,903)
Less present value discount (3% rate)	-	(11,100)
Pledges receivable, net	$ 60,829	$ 339,485

(6) Property and Equipment

Property and equipment are comprised of the following at June 30, 2019 and 2018:

	2019	2018
Land, building and improvements	$ 3,531,053	$ 3,521,353
Office and program equipment	244,453	225,189
Software	76,904	62,895
Motor vehicles	164,811	88,559
Leasehold improvements	2,346	2,346
Total	4,019,567	3,900,342
Less accumulated depreciation	514,756	378,360
Property and equipment, net	$ 3,504,811	$ 3,521,982

Depreciation expense was $136,396 and $123,634 for the years ended June 30, 2019 and 2018, respectively.

(7) Note Payable - Demand

The Organization has a line of credit of $400,000 with a local bank. There was no outstanding balance at June 30, 2019 and 2018. The note carries interest at the prime rate, not less than 4.25%. The rate was 5.5% at June 30, 2019. This note is secured by a second mortgage on the Organization's operating facility and is cross-collateralized with the note and mortgages payable.

(8) Note Payable

The Organization had a term note payable to a local bank. The note originated November 2017 in the amount of $700,000 and was paid off during the year ended June 30, 2019. The note was interest only (2.75% fixed). The note was secured by a third mortgage on the Organization's operating facility and was cross-collateralized with the note payable-demand and the mortgage payable.

(9) Mortgage Payable

Mortgage payable at June 30, 2019 and 2018 consist of the following:

	2019	2018
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%. After a mortgage loan modification dated July 3, 2019, the monthly principal and interest payments are $4,219. 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, 2019, management is not aware of any violations of the covenants.	$ 840,867	$ 933,664
Less: Unamortized debt issuance costs	13,337	14,920
Mortgage payable, less unamortized debt issuance costs	827,530	918,744
Less: current portion	16,200	18,400
Mortgage payable, net of current portion and unamortized debt issuance costs	$ 811,330	$ 900,344

(9) Continued

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

2020	$ 16,200
2021	17,000
2022	17,700
2023	18,400
2024	19,200
Thereafter	752,367
	840,867
Less unamortized debt issuance costs	(13,337)
	$ 827,530

(10) 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, 2019 and 2018, total rental expense under these lease agreements amounted to approximately $7,595 and $7,616, respectively.

As of June 30, 2019, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2020	$ 7,595
2021	3,061
2022	2,106
2023	384
	$ 13,146

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.

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consist of the following:

	2019	2018
Time restrictions, net of discount and allowance for doubtful accounts	$ 60,829	$ 339,485
Purpose restrictions	22,817	86,406
	$ 83,646	$ 425,891

(12) Board Designated Net Assets

As a component of its net assets without donor restrictions, 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 $22,327.

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, 2019 and 2018 follows:

	Operating Reserve	Capital Reserve	Total Board Designated
July 1, 2017 Reserve balances	$ 374,020	$ 43,174	$ 417,194
Board appropriation/(designation)	-	-	-
Interest income	2,183	252	2,435
June 30, 2018 Reserve balances	376,203	43,426	419,629
Board appropriation/(designation)	-	-	-
Interest income	5,077	586	5,663
June 30, 2019 Reserve balances	$ 381,280	$ 44,012	$ 425,292

(12) 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").

(13) 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, 2019 and 2018, matching contributions totaled $36,598 and $32,900, respectively.

(14) 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, 2019, the Organization has their checking and loan accounts with these banks.