

**BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.**

Consolidated Financial Statements

June 30, 2020 and 2019

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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DAN CLASBY & COMPANY

Certified Public Accountants

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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 consolidated financial statements of Beverly Bootstraps Community Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Beverly Bootstraps Community Services, Inc. as of June 30, 2020 and 2019, 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 1, 2020

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 625,471	\$ 260,648
Cash and cash equivalents - board designated	<u>833,986</u>	<u>425,292</u>
Total cash and cash equivalents	1,459,457	685,940
Prepaid expenses and other	55,258	39,494
Pledges receivable - net, current	<u>15,150</u>	<u>60,829</u>
Total current assets	1,529,865	786,263
Organizational costs, net	3,979	-
Property and equipment, net	<u>3,441,124</u>	<u>3,504,811</u>
Total Assets	\$ <u>4,974,968</u>	\$ <u>4,291,074</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Note payable - demand	\$ -	\$ -
Current portion of mortgage payable	16,900	16,200
Accounts payable and accrued expenses	<u>98,150</u>	<u>87,568</u>
Total current liabilities	<u>115,050</u>	<u>103,768</u>
Long term liabilities:		
Paycheck Protection Program loan	287,500	-
Mortgage payable, net	<u>796,634</u>	<u>811,330</u>
Total long term liabilities	<u>1,084,134</u>	<u>811,330</u>
Total Liabilities	<u>1,199,184</u>	<u>915,098</u>
Net assets:		
Without donor restrictions		
Undesignated	2,897,121	2,867,038
Board designated	<u>833,986</u>	<u>425,292</u>
Total without donor restrictions	3,731,107	3,292,330
With donor restrictions	<u>44,677</u>	<u>83,646</u>
Total Net Assets	<u>3,775,784</u>	<u>3,375,976</u>
Total Liabilities and Net Assets	\$ <u>4,974,968</u>	\$ <u>4,291,074</u>

See accompanying notes to consolidated financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statements of Activities

Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 1,598,865	\$ 93,177	\$ 1,692,042
Contributions, in-kind	883,276	-	883,276
Thrift shop sales	733,229	-	733,229
Special events	55,920	-	55,920
Government grants	27,500	-	27,500
Investment income	8,699	-	8,699
Miscellaneous revenue	200	-	200
Net assets released from restrictions	<u>132,146</u>	<u>(132,146)</u>	<u>-</u>
Total support and revenue	<u>3,439,835</u>	<u>(38,969)</u>	<u>3,400,866</u>
Expenses			
Program services:			
Program services	1,668,474	-	1,668,474
Program services - in kind	<u>863,699</u>	<u>-</u>	<u>863,699</u>
Total program services	<u>2,532,173</u>	<u>-</u>	<u>2,532,173</u>
Supporting services:			
Management and general	201,509	-	201,509
Fundraising	<u>267,376</u>	<u>-</u>	<u>267,376</u>
Total supporting services	<u>468,885</u>	<u>-</u>	<u>468,885</u>
Total expenses	<u>3,001,058</u>	<u>-</u>	<u>3,001,058</u>
Change in net assets	438,777	(38,969)	399,808
Net assets at beginning of year	<u>3,292,330</u>	<u>83,646</u>	<u>3,375,976</u>
Net assets at end of year	<u>\$ 3,731,107</u>	<u>\$ 44,677</u>	<u>\$ 3,775,784</u>

See accompanying notes to consolidated financial statements.

Year Ended June 30, 2019

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Program Services</u>				
	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth & Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 64,036	\$ 56,425	\$ 6,421	\$ 7,223	\$ 4,610
Client betterment - in kind	<u>674,099</u>	<u>14,482</u>	<u>6,032</u>	<u>160,079</u>	<u>9,007</u>
Total client betterment costs	<u>738,135</u>	<u>70,907</u>	<u>12,453</u>	<u>167,302</u>	<u>13,617</u>
Salaries and wages	233,793	120,729	84,400	117,744	365,598
Fringe benefits	20,547	11,089	7,845	10,924	35,057
Other personnel costs	<u>31,664</u>	<u>16,330</u>	<u>11,412</u>	<u>15,891</u>	<u>50,815</u>
Total personnel costs	<u>286,004</u>	<u>148,148</u>	<u>103,657</u>	<u>144,559</u>	<u>451,470</u>
Depreciation and amortization	19,180	7,125	10,960	10,960	40,553
Repairs and maintenance	16,839	2,626	13,183	4,040	23,033
Utilities	8,248	3,063	4,713	4,713	17,438
Interest expense	6,262	2,326	3,579	3,579	13,240
Insurance	<u>6,628</u>	<u>2,461</u>	<u>3,787</u>	<u>3,787</u>	<u>14,013</u>
Total occupancy costs	<u>57,157</u>	<u>17,601</u>	<u>36,222</u>	<u>27,079</u>	<u>108,277</u>
Office expenses	7,557	3,294	4,313	7,509	16,396
Contract labor	400	-	78	-	20,274
Marketing	1,092	-	-	-	6,703
Bank and credit card fees	-	-	-	-	11,428
Equipment lease	13,948	366	3,172	366	4,702
Telephone	2,455	946	1,676	1,384	5,022
Newsletters and publications	2,882	2,073	1,147	1,102	1,554
Professional fees	2,418	1,676	696	696	2,575
Appreciation	1,572	484	1,045	641	2,577
Conferences, education and travel	3,733	51	14	19	739
Bad debt expense	-	-	-	-	-
Special events and fundraising	-	-	-	-	2,050
Contract labor in kind	-	-	-	-	-
Total other expenses	<u>36,057</u>	<u>8,890</u>	<u>12,141</u>	<u>11,717</u>	<u>74,020</u>
Total functional expenses	<u>\$ 1,117,353</u>	<u>\$ 245,546</u>	<u>\$ 164,473</u>	<u>\$ 350,657</u>	<u>\$ 647,384</u>

See accompanying notes to consolidated financial statements.

Supporting Services

<u>Food Truck</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 138,715
<u>-</u>	<u>-</u>	<u>-</u>	<u>863,699</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,002,414</u>
-	84,118	141,456	1,147,838
-	32,321	12,864	130,647
<u>-</u>	<u>11,998</u>	<u>19,118</u>	<u>157,228</u>
<u>-</u>	<u>128,437</u>	<u>173,438</u>	<u>1,435,713</u>
246	49,440	9,535	147,999
3,800	-	3,512	67,033
-	1,016	4,100	43,291
-	4,530	3,113	36,629
<u>1,275</u>	<u>3,901</u>	<u>3,295</u>	<u>39,147</u>
<u>5,321</u>	<u>58,887</u>	<u>23,555</u>	<u>334,099</u>
1,323	4,343	10,658	55,393
-	-	25,551	46,303
45	3,048	14,597	25,485
46	1,570	11,939	24,983
-	245	732	23,531
25	1,842	1,178	14,528
-	902	546	10,206
-	757	606	9,424
-	605	748	7,672
-	873	468	5,897
-	-	2,822	2,822
-	-	538	2,588
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,439</u>	<u>14,185</u>	<u>70,383</u>	<u>228,832</u>
\$ <u>6,760</u>	\$ <u>201,509</u>	\$ <u>267,376</u>	\$ <u>3,001,058</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2019

	<u>Program Services</u>				
	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth & Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 72,961	\$ 53,288	\$ 10,941	\$ 12,856	\$ 4,005
Client betterment - in kind	<u>591,928</u>	<u>3,911</u>	<u>490</u>	<u>176,837</u>	<u>10,839</u>
Total client betterment costs	<u>664,889</u>	<u>57,199</u>	<u>11,431</u>	<u>189,693</u>	<u>14,844</u>
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	<u>26,334</u>	<u>16,050</u>	<u>12,817</u>	<u>13,415</u>	<u>51,137</u>
Total personnel costs	<u>239,678</u>	<u>148,553</u>	<u>115,549</u>	<u>121,641</u>	<u>460,489</u>
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	<u>6,171</u>	<u>2,292</u>	<u>3,526</u>	<u>3,526</u>	<u>13,048</u>
Total occupancy costs	<u>66,224</u>	<u>19,235</u>	<u>38,283</u>	<u>29,516</u>	<u>123,178</u>
Office expenses	6,148	2,790	3,187	3,347	12,392
Contract labor	1,966	-	288	-	22,500
Marketing	120	-	-	-	4,703
Bank and credit card fees	-	-	-	-	14,706
Equipment lease	9,908	399	3,836	504	7,839
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
Appreciation	889	486	284	324	1,174
Conferences, education and travel	6,621	1,438	656	554	1,326
Bad debt expense	-	-	-	-	-
Special events and fundraising	-	-	-	-	-
Contract labor in kind	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other expenses	<u>32,374</u>	<u>8,982</u>	<u>11,799</u>	<u>8,131</u>	<u>73,659</u>
Total functional expenses	<u>\$ 1,003,165</u>	<u>\$ 233,969</u>	<u>\$ 177,062</u>	<u>\$ 348,981</u>	<u>\$ 672,170</u>

See accompanying notes to consolidated financial statements.

Supporting Services

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 399,808	\$(20,445)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	147,753	136,396
Gain on sale of vehicle	(200)	-
Amortization of debt issuance costs	1,583	1,583
Amortization of organizational costs	246	-
Change in allowance for doubtful accounts	(2,805)	(8,098)
Contributions in-kind property and equipment	-	(4,500)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	48,484	286,754
Prepaid expenses	(15,764)	(8,055)
Accounts payable and accrued expenses	<u>10,582</u>	<u>(1,000)</u>
Net cash provided by operating activities	<u>589,687</u>	<u>382,635</u>
Cash flows from investing activities:		
Organizational costs incurred	(4,225)	-
Proceeds from sale of vehicle	200	-
Purchases of property and equipment	<u>(84,067)</u>	<u>(114,725)</u>
Net cash used by investing activities	<u>(88,092)</u>	<u>(114,725)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	287,500	-
Repayments of mortgages payable	(15,578)	(92,797)
Repayments of note payable	<u>-</u>	<u>(250,000)</u>
Net cash provided (used) by financing activities	<u>271,922</u>	<u>(342,797)</u>
Net change in cash and cash equivalents	773,517	(74,887)
Cash and cash equivalents at beginning of year	<u>685,940</u>	<u>760,827</u>
Cash and cash equivalents at end of year	\$ <u>1,459,457</u>	\$ <u>685,940</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ -	\$ 4,500
Cash paid during the year for:		
Interest	\$ 35,046	\$ 52,422

See accompanying notes to consolidated financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(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. The Organization took occupancy in March of 2016. Beverly Bootstraps' 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. In the spring of 2020, the Organization created a for-profit LLC to run a food truck to further its revenue streams. A total of 12 Board members, 45 staff members, 2 contractors and over 517 volunteers made the work of the Organization possible in FY20.

COVID-19 Pandemic

It should be noted that in the spring of 2020, the COVID-19 pandemic hit Eastern Massachusetts and affected the Organization in many ways. The Organization's leadership and staff had to pivot quickly and prioritize the safety and wellbeing of staff, clients and volunteers. On March 13th, in response to the first cases of the virus in the area, and the State's orders, the Thrift Shop closed until mid-June, all Education programming was suspended, the Tax Preparation Program was shuttered and all volunteers were asked to remain sheltered at home. The essential services of food assistance remained throughout the shelter in place order, in a modified model, with support from Thrift and Education staff. Case managers continued their work remotely, working with clients over the telephone. All support staff who had work that could be done remotely, worked from their home. Fundraising efforts moved from a canceled gala to a community appeal and, fortunately, the community responded to Beverly Bootstraps' request for support as the organization braced for increased need. From mid-March to the end of FY20, the Organization recorded 324 new individuals (207 new households). This is a year where there was no "business as usual" in the last quarter. The numbers in this report reflect the effects of the pandemic.

Food Assistance

The Food Assistance Programs have run in a modified format since March 2020 due to COVID-19. 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 FY20, the Food Pantry distributed 338,680 pounds of food, valued at \$582,530 during 8,942 visits to 2,911 individuals (1,279 households). Thanksgiving meal ingredients were distributed to 464 households. The Mobile Markets distributed 54,800 pounds of produce during 3,937 visits to 860 individuals. The summer food program for families with school age children distributed an additional 5,217 pounds of food to 114 households during 475 additional visits to the Food Pantry during the summer months. The weekend bag program delivered 3,080 snack bags to 161 children throughout the elementary and middle schools in Beverly. A new program named Grab-n-Go was created for clients who have no refrigeration or cooking facilities and need to get food in smaller quantities and more frequently. Fifty individuals were served at least once in FY20.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(1) Continued

Client Support

This program has been modified to a remote model since March 2020. 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 FY20 case managers handled cases for 791 individuals (372 households) and distributed \$50,722 directly for client betterment. Importantly, case managers leveraged over \$62,000 from other community funds for clients. Additionally, case managers awarded 139 vouchers to the Thrift Shop for clients in need. Beverly Bootstraps ran one of the few free Tax Preparation Programs on the North Shore in FY20 and served communities representing a broader geography. Refunds to the 192 filed returns totaled \$347,514, of which \$139,862 was through Earned Income Tax Credit funds. The program had to be shuttered in March, so the Organization offered to refund clients who had their taxes prepared elsewhere. Twenty-two clients were assisted in this manner. Their tax refunds totaled \$10,467, of which \$3,775 was through Earned Income Tax Credits.

Adult Education

These programs were temporarily suspended in March of 2020 due to COVID-19. Adult classes include HiSET Test Preparation, English Language Classes, and College and Career Readiness. Up until mid-March in FY20, 222 students participated in the various programs. 101 HiSET students attended regularly and logged 1738 learning hours. Students passed 51 out of 56 individual tests. Thirteen students passed the last of their five HiSET tests and obtained their high school equivalency. English Language Classes had 60% of students who inquired, attend regularly (49 students) and logged 2736 learning hours. Forty-six students sought support with resume writing or with college applications or additional tutoring.

Youth & Family

This program has been suspended since March of 2020. 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 FY20, the Organization worked with 24 children who logged 1341 hours of learning. Additionally, in FY20, 602 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 637 children.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(1) Continued

Thrift Shop

The Thrift Shop was closed from March 13th until June 17th due to COVID-19. 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 FY20, clients redeemed vouchers valued at \$5,215.

BB Food Truck, LLC

The Organization created a new for-profit venture in the spring of 2020 with the purpose of adding revenue to the non-profit. The Organization was able to finalize a business concept, fundraise for start-up costs, legally establish the business (BB Food Truck, LLC, dba Cheese, Please!) and purchase a food truck before the end of FY20.

(2) Summary of Significant Accounting Policies

Basis of Consolidation, Accounting, and Presentation

These financial statements include the consolidated financial results of Beverly Bootstraps Community Services, Inc. and its single member LLC, BB Food Truck, LLC. Beverly Bootstraps Community Services, Inc. is the sole member owner of BB Food Truck, LLC which was created March 9, 2020. All significant balances and transactions between the two entities have been eliminated.

These consolidated 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, Consolidated 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.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and to reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(2) Continued

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 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. As of June 30, 2020 the Organization considered its pledges receivable fully collectible, accordingly no allowance for uncollectible pledges was recorded.

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 and Subsequent Events

Management has evaluated subsequent events through October 1, 2020, the date the consolidated financial statements were available to be issued. There were no subsequent events, other than the events mentioned below, requiring adjustment to the consolidated financial statements or disclosures as stated herein.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase of cases.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent of the impact of the COVID-19 outbreak on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the COVID-19 outbreak, impact on customers, employees, and vendors, all of which are uncertain and cannot be predicted. Given these uncertainties, the Organization cannot reasonably estimate the related impact to its business, operating results, and financial condition. COVID-19 has brought challenges and opportunities and has impacted the Organization's revenue, its results of operations, financial condition, and liquidity for fiscal years 2020 and 2021.

As always, management is committed to stewarding the Organization by using the resources bestowed by the community to meet its mission. Management recognizes that the economic fallout from the pandemic will be long lasting and therefore has worked with the Board of Directors to safeguard the influx of donations in FY20 for use in the long term response to COVID-19 and the increased needs of people affected by it.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(2) Continued

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.

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 consolidated financial statements. As of June 30, 2020, 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 \$5,025 and \$690 during the years ended June 30, 2020 and 2019, 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 Consolidated 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.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(2) Continued

Gifts in-kind are reflected as contributions in the accompanying consolidated 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, 2020 and 2019, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$160,233 and \$190,804 for FY20 and FY19, 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 \$25,485 and \$16,087 for the years ended June 30, 2020 and 2019, 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. BB Food Truck, LLC is a disregarded entity for income tax purposes and its financial results will be included with the Organization's tax filings.

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 2015 through 2019 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 Consolidated Financial Statements

June 30, 2020 and 2019

(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 consolidated 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 \$670,854 available within one year of the consolidated statement of financial position date to meet cash needs for general expenditure consisting of cash and equivalents of \$625,471, accounts and pledges receivable of \$15,150 and prepaid expenses of \$30,233.

None of these assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the consolidated 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 8 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 \$31,022 of accumulated unrestricted interest income. The balance of the board designated funds consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Savings, money market and certificate of deposit accounts	\$ <u>833,986</u>	\$ <u>425,292</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(5) Pledges Receivable

Pledges receivable pertain to the Organization's annual campaign and programs. Outstanding pledges receivable at June 30, 2020 and 2019 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 15,150	\$ 63,634
One to five years	-	-
More than five years	<u>-</u>	<u>-</u>
Gross pledges receivable	15,150	63,634
Less allowance for doubtful accounts	<u>-</u>	(2,805)
Pledges receivable, net	<u>\$ 15,150</u>	<u>\$ 60,829</u>

(6) Organizational Costs, net

Organization costs incurred for the formation of BB Food Truck, LLC of \$4,225 are being amortized on a straight-line basis over a five (5) year period beginning March 9, 2020. Amortization expense was \$246 for the year ended June 30, 2020. Future amortization expense follows:

<u>Year Ended June 30</u>	
2021	\$ 845
2022	845
2023	845
2024	845
2025	<u>599</u>
	<u>\$ 3,979</u>

(7) Property and Equipment

Property and equipment are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land, building and improvements	\$ 3,540,363	\$ 3,531,053
Office and program equipment	267,444	244,453
Software	76,904	76,904
Motor vehicles	209,076	164,811
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	4,096,133	4,019,567
Less accumulated depreciation	<u>655,009</u>	<u>514,756</u>
Property and equipment, net	<u>\$ 3,441,124</u>	<u>\$ 3,504,811</u>

Depreciation expense was \$147,753 and \$136,396 for the years ended June 30, 2020 and 2019, respectively.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(8) 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, 2020 and 2019. The note carries interest at the prime rate, not less than 4.25%. The rate was 4.25% at June 30, 2020. This note is secured by a second mortgage on the Organization's operating facility and is cross-collateralized with the mortgage payable.

(9) Paycheck Protection Program Loan

On April 15, 2020, the Organization received loan proceeds in the amount of \$287,500 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24-week period. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

(10) Mortgage Payable

Mortgage payable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</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%. 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, 2020, management is not aware of any violations of the covenants.	\$ 825,289	\$ 840,867
Less: Unamortized debt issuance costs	<u>11,755</u>	<u>13,337</u>
Mortgage payable, net of unamortized debt issuance costs	813,534	827,530
Less: current portion	<u>16,900</u>	<u>16,200</u>
Mortgage payable, net of current portion and unamortized debt issuance costs	\$ <u>796,634</u>	\$ <u>811,330</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(10) Continued

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

2021	\$ 16,900
2022	17,600
2023	18,400
2024	19,200
2025	20,000
Thereafter	<u>733,189</u>
	825,289
Less unamortized debt issuance costs	(<u>11,755</u>)
	\$ <u>813,534</u>

(11) Commitments and Contingencies***Operating Leases***

The Organization has operating leases for various office equipment which expire at various times through 2024. For the years ended June 30, 2020 and 2019, total rental expense under these lease agreements amounted to approximately \$7,595 and \$7,595, respectively.

As of June 30, 2020, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2021	\$ 6,965
2022	6,010
2023	4,040
2024	<u>3,634</u>
	\$ <u>20,649</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 Consolidated 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 Consolidated Financial Statements

June 30, 2020 and 2019

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Time restrictions, net		
allowance for doubtful accounts, if any	\$ 15,150	\$ 60,829
Purpose restrictions	<u>29,527</u>	<u>22,817</u>
	<u>\$ 44,677</u>	<u>\$ 83,646</u>

(13) Board Designated Net Assets

As a component of its net assets without donor restrictions, the Organization has Board-designated 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 \$31,022. During FY 20, the board designated \$400,000 to be used for expenses incurred in serving the community in response to the pandemic.

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, 2020 and 2019 follows:

	<u>Operating Reserve</u>	<u>Capital Reserve</u>	<u>COVID Reserve</u>	<u>Total Board Designated</u>
July 1, 2018 Reserve balances	\$ 376,203	\$ 43,426	\$ -	\$ 419,629
Board appropriation/(designation)	-	-	-	-
Interest income	<u>5,077</u>	<u>586</u>	<u>-</u>	<u>5,663</u>
June 30, 2019 Reserve balances	381,280	44,012	-	425,292
Board appropriation/(designation)	-	-	400,000	400,000
Interest income	<u>7,794</u>	<u>900</u>	<u>-</u>	<u>8,694</u>
June 30, 2020 Reserve balances	<u>\$ 389,074</u>	<u>\$ 44,912</u>	<u>\$ 400,000</u>	<u>\$ 833,986</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

(13) 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").

(14) 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, 2020 and 2019, matching contributions totaled \$36,707 and \$36,598, respectively.

(15) 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, 2020, the Organization has their checking and loan accounts with these banks.