

**BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.**

Consolidated Financial Statements

June 30, 2021 and 2020

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 consolidated financial statements of Beverly Bootstraps Community Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 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, 2021 and 2020, 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
November 16, 2021

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statements of Financial Position

June 30, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 492,486	\$ 625,471
Cash and cash equivalents - board designated	<u>589,892</u>	<u>833,986</u>
Total cash and cash equivalents	1,082,378	1,459,457
Prepaid expenses and other	52,787	55,258
Pledges receivable	<u>19,074</u>	<u>15,150</u>
Total current assets	1,154,239	1,529,865
Investments, at market, board designated	249,896	-
Organizational costs, net	3,134	3,979
Property and equipment, net	<u>3,391,615</u>	<u>3,441,124</u>
Total Assets	\$ <u>4,798,884</u>	\$ <u>4,974,968</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Note payable - demand	\$ -	\$ -
Current portion of note payable-SBA	3,900	-
Current portion of mortgage payable	8,400	16,900
Accounts payable and accrued expenses	<u>163,816</u>	<u>98,150</u>
Total current liabilities	<u>176,116</u>	<u>115,050</u>
Long-term liabilities:		
Paycheck Protection Program loan	-	287,500
Note payable-SBA, net of current portion	146,100	-
Mortgage payable, net	<u>389,383</u>	<u>796,634</u>
Total long-term liabilities	<u>535,483</u>	<u>1,084,134</u>
Total Liabilities	<u>711,599</u>	<u>1,199,184</u>
Net assets:		
Without donor restrictions		
Undesignated	3,185,923	2,897,121
Board designated	<u>839,788</u>	<u>833,986</u>
Total without donor restrictions	4,025,711	3,731,107
With donor restrictions	<u>61,574</u>	<u>44,677</u>
Total Net Assets	<u>4,087,285</u>	<u>3,775,784</u>
Total Liabilities and Net Assets	\$ <u>4,798,884</u>	\$ <u>4,974,968</u>

See accompanying notes to consolidated financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statements of Activities

Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 1,525,630	\$ 35,000	\$ 1,560,630
Contributions, in-kind	971,628	-	971,628
Thrift shop sales	795,888	-	795,888
PPP loan forgiveness	287,500	-	287,500
Government grants	-	26,574	26,574
Investment return, net	5,802	-	5,802
BB Food Truck, LLC			
Food truck sales	12,385		
Food truck cost of sales	<u>(16,362)</u>	(3,977)	(3,977)
Net assets released from restrictions	<u>44,677</u>	<u>(44,677)</u>	<u>-</u>
Total support and revenue	<u>3,627,148</u>	<u>16,897</u>	<u>3,644,045</u>
Expenses			
Program services:			
Program services	1,882,622	-	1,882,622
Program services - in kind	<u>964,083</u>	<u>-</u>	<u>964,083</u>
Total program services	<u>2,846,705</u>	<u>-</u>	<u>2,846,705</u>
Supporting services:			
Management and general	153,655	-	153,655
Fundraising	<u>332,184</u>	<u>-</u>	<u>332,184</u>
Total supporting services	<u>485,839</u>	<u>-</u>	<u>485,839</u>
Total expenses	<u>3,332,544</u>	<u>-</u>	<u>3,332,544</u>
Change in net assets	294,604	16,897	311,501
Net assets at beginning of year	<u>3,731,107</u>	<u>44,677</u>	<u>3,775,784</u>
Net assets at end of year	<u>\$ 4,025,711</u>	<u>\$ 61,574</u>	<u>\$ 4,087,285</u>

See accompanying notes to consolidated financial statements.

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
Government grants	27,500	-	27,500
Special events	55,920	-	55,920
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>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	<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	\$ 53,126	\$ 52,171	\$ 1,610	\$ 33,435	\$ 2,160
Client betterment - in kind	<u>760,244</u>	<u>9,428</u>	<u>585</u>	<u>179,818</u>	<u>14,008</u>
Total client betterment costs	<u>813,370</u>	<u>61,599</u>	<u>2,195</u>	<u>213,253</u>	<u>16,168</u>
Salaries and wages	210,114	132,661	108,254	52,318	465,208
Fringe benefits	22,830	14,517	11,521	5,585	50,776
Other personnel costs	<u>28,778</u>	<u>18,209</u>	<u>14,771</u>	<u>7,166</u>	<u>64,053</u>
Total personnel costs	<u>261,722</u>	<u>165,387</u>	<u>134,546</u>	<u>65,069</u>	<u>580,037</u>
Depreciation and amortization	27,789	10,322	15,879	15,879	58,754
Repairs and maintenance	15,782	2,525	12,780	3,885	23,669
Utilities	8,272	3,072	4,727	4,727	17,490
Insurance	6,788	3,316	3,834	3,109	14,452
Interest expense	6,813	2,530	3,893	3,893	14,404
Food truck supplies and expenses	-	-	-	-	-
Total occupancy costs	<u>65,444</u>	<u>21,765</u>	<u>41,113</u>	<u>31,493</u>	<u>128,769</u>
Office expenses	6,713	2,878	9,550	5,154	16,566
Bank and credit card fees	31	-	-	-	15,642
Equipment lease	14,559	633	4,142	826	8,137
Telephone	3,089	1,197	2,807	1,765	6,530
Marketing	134	-	-	-	4,055
Professional fees	2,261	1,057	1,635	1,635	6,134
Newsletters and publications	3,383	2,435	1,347	1,294	1,824
Contract labor	-	-	-	-	-
Conferences, education and travel	3,308	-	-	-	4,054
Appreciation	43	117	76	-	-
Bad debt expense	-	-	-	-	-
Special events and fundraising	-	-	-	-	-
Total other expenses	<u>33,521</u>	<u>8,317</u>	<u>19,557</u>	<u>10,674</u>	<u>62,942</u>
Total functional expenses	<u>\$ 1,174,057</u>	<u>\$ 257,068</u>	<u>\$ 197,411</u>	<u>\$ 320,489</u>	<u>\$ 787,916</u>

See accompanying notes to consolidated financial statements.

Supporting Services

<u>BB Food Truck LLC</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 142,502
<u>-</u>	<u>-</u>	<u>-</u>	<u>964,083</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106,585</u>
70,861	67,163	204,633	1,311,212
4,515	10,899	21,776	142,419
<u>17,905</u>	<u>13,312</u>	<u>27,787</u>	<u>191,981</u>
<u>93,281</u>	<u>91,374</u>	<u>254,196</u>	<u>1,645,612</u>
845	14,853	13,815	158,136
3,546	4,669	3,380	70,236
-	4,869	4,113	47,270
2,153	3,722	3,928	41,302
-	4,010	3,386	38,929
<u>7,842</u>	<u>-</u>	<u>-</u>	<u>7,842</u>
<u>14,386</u>	<u>32,123</u>	<u>28,622</u>	<u>363,715</u>
-	14,203	9,491	64,555
517	2,018	14,489	32,697
-	1,286	1,029	30,612
856	1,818	1,536	19,598
524	2,962	11,920	19,595
200	2,712	1,437	17,071
-	1,059	641	11,983
-	450	8,788	9,238
-	1,203	35	8,600
-	2,447	-	2,683
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,097</u>	<u>30,158</u>	<u>49,366</u>	<u>216,632</u>
<u>\$ 109,764</u>	<u>\$ 153,655</u>	<u>\$ 332,184</u>	<u>\$ 3,332,544</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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
Insurance	6,628	2,461	3,787	3,787	14,013
Interest expense	<u>6,262</u>	<u>2,326</u>	<u>3,579</u>	<u>3,579</u>	<u>13,240</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
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
Marketing	1,092	-	-	-	6,703
Professional fees	2,418	1,676	696	696	2,575
Newsletters and publications	2,882	2,073	1,147	1,102	1,554
Contract labor	400	-	78	-	20,274
Conferences, education and travel	3,733	51	14	19	739
Appreciation	1,572	484	1,045	641	2,577
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>BB Food Truck LLC</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
1,275	3,901	3,295	39,147
<u>-</u>	<u>4,530</u>	<u>3,113</u>	<u>36,629</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
46	1,570	11,939	24,983
-	245	732	23,531
25	1,842	1,178	14,528
45	3,048	14,597	25,485
-	757	606	9,424
-	902	546	10,206
-	-	25,551	46,303
-	873	468	5,897
-	605	748	7,672
-	-	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.

Consolidated Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 311,501	\$ 399,808
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	157,291	147,753
Gain on sale of vehicle	-	(200)
Forgiveness of PPP loan	(287,500)	-
Amortization of debt issuance costs	1,583	1,583
Amortization of organizational costs	845	246
Loss on investments – board designated	104	-
Change in allowance for doubtful accounts	-	(2,805)
Contribution in-kind property and equipment	(5,960)	-
Changes in operating assets and liabilities:		
Pledges and accounts receivable	(3,924)	48,484
Prepaid expenses	2,471	(15,764)
Accounts payable and accrued expenses	<u>65,666</u>	<u>10,582</u>
Net cash provided by operating activities	<u>242,077</u>	<u>589,687</u>
Cash flows from investing activities:		
Organizational costs incurred	-	(4,225)
Proceeds from sale of vehicle	-	200
Purchases of investments	(250,000)	-
Purchases of property and equipment	<u>(101,822)</u>	<u>(84,067)</u>
Net cash used by investing activities	<u>(351,822)</u>	<u>(88,092)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	-	287,500
Proceeds from note payable	150,000	-
Repayments of mortgage payable	<u>(417,334)</u>	<u>(15,578)</u>
Net cash provided (used) by financing activities	<u>(267,334)</u>	<u>271,922</u>
Net change in cash and cash equivalents	(377,079)	773,517
Cash and cash equivalents at beginning of year	<u>1,459,457</u>	<u>685,940</u>
Cash and cash equivalents at end of year	\$ <u>1,082,378</u>	\$ <u>1,459,457</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ 5,960	\$ -
Cash paid during the year for:		
Interest	\$ 33,685	\$ 35,046

See accompanying notes to consolidated financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(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 provides 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 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 200 volunteers made the work of the Organization possible in FY21.

COVID-19 Pandemic

In March 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. In March 2020, 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 an unpredictable future. The Organization successfully applied for the Payroll Protection Program (PPP loan). In fiscal 2021, the pandemic continued to affect business practices. Throughout the pandemic, staff members were affected in various ways. There were many cases of leave due to COVID-19 and other issues. There was transition in some leadership positions. In July 2020, the Organization took an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$150,000. In the summer of 2020, education programs were planned and in the fall the programs resumed in a virtual model. HiSET Prep (High School Equivalency Exam) students began virtual one-to-one tutoring in the fall and ESOL students started to pilot a virtual class model. In the spring of 2021, the Organization's PPP loan was forgiven in the amount of \$287,500. Vaccines became available and staff members and volunteers were able to receive them earlier than the general public due to the essential status of the work of the Organization. The majority of staff members chose to get vaccinated, and the Organization began to plan new adaptations to program models and the work environment.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(1) Continued

Food Assistance

Beverly Bootstraps addresses hunger through its food assistance programs, which provide emergency food to those in need. *During COVID-19, the Food Assistance Programs ran in a pre-packed bag (with some choice) format since March 2020 due to COVID-19. This allowed clients to continue to access food, but in a very quick delivery model. Delivery options were available to seniors in the community and those isolating because of COVID-19 diagnosis. Weekend bags for children were distributed in collaboration with Beverly Public Schools.* The Food Pantry distributed food through a pantry visit or delivery Monday through Friday. In FY21, the Food Assistance programs distributed 589,982 pounds of food, valued at \$911,569 during 7,689 visits to 2,453 individuals (1,448 households). Additionally, senior bags were delivered to an estimated 575 seniors consistently through FY21 and 3,840 Weekend food bags were delivered to school children. Thanksgiving meal ingredients were distributed to 471 households.

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 FY21 case managers handled cases for 823 individuals (367 households) and distributed \$45,102 directly for client betterment. Importantly, case managers leveraged over \$43,429 from other community funds for clients. Beverly Bootstraps ran one of the few free Tax Preparation Programs on the North Shore in FY21 and served communities representing a broader geography. Refunds to the 329 filed returns totaled \$662,504, of which \$146,974 was through Earned Income Tax Credit funds.

Adult Education

These programs were temporarily suspended in March of 2020 due to COVID-19. During the summer of 2020, staff worked to launch virtual models of both programs. This required training by staff, volunteers and students. Adult classes include HiSET Test Preparation (High School Equivalency Exam), ESOL (English Speakers of Other Language Classes), and College and Career Readiness. HiSET resumed and immediately had a good response by students. Over the 9 months of the program, 38 students regularly studied, 50 out of 55 individual tests were passed and 10 students completed all 5 subject exams to receive their HiSET equivalency certificate. ESOL students had a more challenging time with virtual classes and staff spent a lot of time finding a model and curriculum that would work in the virtual environment. Seven students worked consistently with staff and tutors as the program was piloted.

Youth & Family

This programming has been reduced to seasonal programs only. FY21, 510 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, 2021 and 2020

(1) Continued

Thrift Shop

The Thrift Shop reopened at the outset FY21 following a COVID-19 required shutdown of three months. Recovery was the focus for FY21. 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 FY21, due to the pandemic, the voucher program was put on hiatus. Staff gave some clothing and goods directly to people who needed them.

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. In September of 2020, the Food Truck launched for business. Unfortunately, due to many challenges with COVID-19 and some mechanical issues, the business struggled. The Organization determined that it was most prudent to put the business on hiatus until COVID-19 was less of a factor. The business was temporarily shuttered in January of 2021.

(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, 2021 and 2020

(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, 2021 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 November 16, 2021, 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, 2021 and 2022.

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, 2021 and 2020

(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, 2021, 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 \$-0- and \$5,025 during the years ended June 30, 2021 and 2020, 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, 2021 and 2020

(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, 2021 and 2020, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$231,605 and \$160,233 for FY21 and FY20, 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 \$19,595 and \$25,485 for the years ended June 30, 2021 and 2020, 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 2016 through 2020 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, 2021 and 2020

(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, 2021. 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 \$564,347 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 \$492,486, pledges receivable of \$19,074 and prepaid expenses of \$52,787. 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 10 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 Investments – Board Designated

Board designated savings includes \$36,823 of accumulated unrestricted interest income. The balance of the board designated funds consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Savings and certificate of deposit accounts	\$ 589,892	\$ 833,986
Investments, at market		
Money market fund	199,896	-
Environmental, social and governance fund	<u>50,000</u>	<u>-</u>
	<u>\$ 839,788</u>	<u>\$ 833,986</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(5) Pledges Receivable

Pledges receivable pertain to the Organization's annual campaign and programs. Outstanding pledges receivable at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 19,074	\$ 15,150
One to five years	-	-
More than five years	<u>-</u>	<u>-</u>
Pledges receivable	\$ <u>19,074</u>	\$ <u>15,150</u>

(6) Investments

In June 2021, the Organization invested \$250,000 of its board designated net assets in an investment pool managed by a local community foundation with \$200,000 in money market funds and \$50,000 in an Environmental, Social, and Governance fund for the purpose of increasing its investment return. The market value of these funds as of June 30, 2021 was \$249,896.

Investment return consists of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest income	\$ 5,906	\$ 8,699
Net losses and management fees	(104)	<u>-</u>
Investment return, net	\$ <u>5,802</u>	\$ <u>8,699</u>

(7) Fair Value Measurements

The three levels of the fair value hierarchy are as follows:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 - Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 - Valuations derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgment in determining the fair value assigned to such assets or liabilities.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(7) Continued

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Organization has evaluated the results of the fair value hierarchy as of June 30, 2021 as follows:

	Carrying Value	Quoted prices In Active Markets for Identical Assets (Level 1)	Significant Observable inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Instruments Measured at Fair Value on a Recurring Basis:				
Investments	\$ 249,896	\$ -	\$ 249,896	\$ -0-

(8) 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 \$845 and \$246 for the years ended June 30, 2021 and 2020, respectively. Future amortization expense follows:

<u>Year Ended June 30</u>	
2022	\$ 845
2023	845
2024	845
2025	<u>599</u>
	<u>\$ 3,134</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(9) Property and Equipment

Property and equipment are comprised of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land, building and improvements	\$ 3,589,629	\$ 3,540,363
Office and program equipment	301,600	267,444
Software	76,904	76,904
Motor vehicles	233,436	209,076
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	4,203,915	4,096,133
Less accumulated depreciation	<u>812,300</u>	<u>655,009</u>
Property and equipment, net	\$ <u>3,391,615</u>	\$ <u>3,441,124</u>

Depreciation expense was \$157,291 and \$147,753 for the years ended June 30, 2021 and 2020, respectively.

(10) 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, 2021 and 2020. The note carries interest at the prime rate, not less than 4.25%. The rate was 4.25% at June 30, 2021. This note is secured by a second mortgage on the Organization's operating facility and is cross-collateralized with the mortgage payable.

(11) 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. The Paycheck Protection Program loan was forgiven in full on January 25, 2021 and is included on the Statement of Activities during the fiscal year ended June 30, 2021.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(12) Note and Mortgage Payable

Note and mortgage payable at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Note payable to the U.S. Small Business Association (SBA) originated July 2020 under the Economic Injury Disaster Loans (EIDL) program for \$150,000. The note carries interest at 2.75% fixed for the thirty-year term of the loan. No payments are required for the first year of the loan. Monthly principal and interest payments of \$641 commence on July 2, 2021.	\$ 150,000	\$ -
Less: current portion	<u>3,900</u>	<u>-</u>
Note payable, net of current portion	\$ <u>146,100</u>	\$ <u>-</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 June 24, 2021, the monthly principal and interest payments are \$2,133. The mortgage is secured by the Organization's operating facility and is cross-collateralized with the note payable-demand. 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, 2021, management is not aware of any violations of the covenants.

	\$ 407,954	\$ 825,289
Less: Unamortized debt issuance costs	<u>10,171</u>	<u>11,755</u>
Mortgage payable, net of unamortized debt issuance costs	397,783	813,534
Less: current portion	<u>8,400</u>	<u>16,900</u>
Note and Mortgage payable, net of current portion and unamortized debt issuance costs	\$ <u>389,383</u>	\$ <u>796,634</u>

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

2022	\$ 12,300
2023	13,500
2024	14,000
2025	14,600
2026	15,100
Thereafter	<u>488,454</u>
	557,954
Less unamortized debt issuance costs	<u>(10,172)</u>
	\$ <u>547,782</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(13) 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, 2021 and 2020, total rental expense under these lease agreements amounted to approximately \$6,965 and \$7,595, respectively.

As of June 30, 2021, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2022	\$ 6,010
2023	4,040
2024	<u>3,634</u>
	\$ <u>13,684</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.

Solar Array

In December 2020, the Organization entered into a leasing arrangement whereby a portion of its operating facility's roof is leased to a tenant for the operation of solar photovoltaic equipment ("solar array") for a term of fifteen years. The Organization has also entered into an agreement to purchase all electricity generated by the solar array for the duration of the term. The tenant intends to donate the solar array to the Organization after achieving a certain rate of return from the array.

(14) Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Time restrictions, net		
allowance for doubtful accounts, if any	\$ 19,074	\$ 15,150
Purpose restrictions	<u>42,500</u>	<u>29,527</u>
	\$ <u>61,574</u>	\$ <u>44,677</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(15) 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 FY 16, 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, 2021 and 2020 follows:

	<u>Operating Reserve</u>	<u>Capital Reserve</u>	<u>COVID Reserve</u>	<u>Total Board Designated</u>
July 1, 2019 Reserve balances	\$ 381,280	\$ 44,012	\$ -	\$ 425,292
Board appropriation/(designation)	-	-	400,000	400,000
Investment return	<u>7,794</u>	<u>900</u>	<u>-</u>	<u>8,694</u>
June 30, 2020 Reserve balances	389,074	44,912	400,000	833,986
Board appropriation/(designation)	-	-	-	-
Investment return	<u>2,707</u>	<u>312</u>	<u>2,783</u>	<u>5,802</u>
June 30, 2021 Reserve balance	\$ <u>391,781</u>	\$ <u>45,224</u>	\$ <u>402,783</u>	\$ <u>839,788</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(15) 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").

(16) 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, 2021 and 2020, matching contributions totaled \$33,762 and \$36,707, respectively.

(17) 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, 2021, the Organization has their checking and loan accounts with these banks.