

**BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2017 and 2016

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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DAN CLASBY & COMPANY

Certified Public Accountants

-1-

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Beverly Bootstraps Community Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beverly Bootstraps Community Services, Inc. as of June 30, 2017 and 2016, 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 14, 2017

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Financial Position

June 30, 2017 and 2016

	<u>Assets</u>	
	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 352,270	\$ 258,654
Savings - board designated	<u>417,194</u>	<u>414,699</u>
Total cash and cash equivalents	769,464	673,353
Accounts receivable	5,866	7,321
Prepaid expenses and other	23,240	26,715
Pledges receivable - net, current	<u>464,149</u>	<u>484,328</u>
Total current assets	1,262,719	1,191,717
Pledges receivable - net, noncurrent	244,646	479,411
Property and equipment, net	<u>3,526,259</u>	<u>4,282,188</u>
Total Assets	\$ <u>5,033,624</u>	\$ <u>5,953,316</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Note payable - demand	\$ -	\$ -
Current portion of mortgage payable	57,000	62,500
Accounts payable and accrued expenses	<u>64,936</u>	<u>72,587</u>
Total current liabilities	121,936	135,087
Long term liabilities:		
Mortgage payable, net of current portion	<u>1,594,499</u>	<u>2,177,210</u>
Total Liabilities	1,716,435	2,312,297
Net assets:		
Unrestricted		
Undesignated	2,146,683	2,203,310
Board designated	<u>417,194</u>	<u>414,699</u>
Total unrestricted	2,563,877	2,618,009
Temporarily restricted	<u>753,312</u>	<u>1,023,010</u>
Total Net Assets	<u>3,317,189</u>	<u>3,641,019</u>
Total Liabilities and Net Assets	\$ <u>5,033,624</u>	\$ <u>5,953,316</u>

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Activities
Year Ended June 30, 2017

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

See accompanying notes to financial statements.

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 694,017	\$ 438,794	\$ 1,132,811
Thrift shop sales	661,744	-	661,744
Contributions, in-kind	695,881	-	695,881
Special events	197,730	-	197,730
Government grants	10,495	-	10,495
Program service revenue	10,907	-	10,907
Interest income	2,590	-	2,590
Miscellaneous revenue	6,206	-	6,206
Net assets released from restrictions	<u>1,438,129</u>	<u>(1,438,129)</u>	<u>-</u>
Total support and revenue	<u>3,717,699</u>	<u>(999,335)</u>	<u>2,718,364</u>
Expenses			
Program services:			
Program services	1,563,482	-	1,563,482
Program services - in kind	<u>605,142</u>	<u>-</u>	<u>605,142</u>
Total program services	<u>2,168,624</u>	<u>-</u>	<u>2,168,624</u>
Supporting services:			
Management and general	118,658	-	118,658
Fundraising	<u>578,663</u>	<u>-</u>	<u>578,663</u>
Total supporting services	<u>697,321</u>	<u>-</u>	<u>697,321</u>
Total expenses	<u>2,865,945</u>	<u>-</u>	<u>2,865,945</u>
Change in net assets	851,754	(999,335)	(147,581)
Net assets at beginning of year	<u>1,766,255</u>	<u>2,022,345</u>	<u>3,788,600</u>
Net assets at end of year	<u>\$ 2,618,009</u>	<u>\$ 1,023,010</u>	<u>\$ 3,641,019</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$(323,830)	\$(147,581)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	132,700	68,472
Loss on disposal of equipment	346	3,022
Loss on sale of building	123,735	-
Change in allowance for doubtful accounts	(8,079)	(29,973)
Contributions in-kind property and equipment	-	(48,542)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	264,478	967,110
Prepaid expenses	3,475	(80)
Accounts payable and accrued expenses	(7,651)	(88,495)
Net cash provided by operating activities	<u>185,174</u>	<u>723,933</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	800	-
Net proceeds from sale of building	535,643	-
Purchases of property and equipment	(37,295)	(2,163,006)
Net cash provided/(used) by investing activities	<u>499,148</u>	<u>(2,163,006)</u>
Cash flows from financing activities:		
Payments of mortgages payable	(588,211)	(19,894)
Proceeds from construction mortgage	-	1,600,000
Repayments of note payable - demand	(225,000)	(629,300)
Proceeds from note payable - demand	<u>225,000</u>	<u>295,000</u>
Net cash provided/(used) by financing activities	<u>(588,211)</u>	<u>1,245,806</u>
Net change in cash and cash equivalents	96,111	(193,267)
Cash and cash equivalents at beginning of year	<u>673,353</u>	<u>866,620</u>
Cash and cash equivalents at end of year	\$ <u>769,464</u>	\$ <u>673,353</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ -	\$ 48,542
Cash paid during the year for:		
Interest	\$ 89,918	\$ 32,334
Interest capitalized	\$ -	\$ 28,076

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2017

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth & Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 84,091	\$ 57,587	\$ 8,362	\$ 13,644	\$ 1,916
Client betterment - in kind	<u>480,196</u>	<u>15,216</u>	<u>4,601</u>	<u>244,632</u>	<u>9,326</u>
Total client betterment costs	<u>564,287</u>	<u>72,803</u>	<u>12,963</u>	<u>258,276</u>	<u>11,242</u>
Salaries and wages	155,258	114,075	104,722	80,070	356,912
Fringe benefits	22,597	16,603	15,242	11,654	51,947
Other personnel costs	<u>21,129</u>	<u>15,524</u>	<u>14,252</u>	<u>10,897</u>	<u>48,572</u>
Total personnel costs	<u>198,984</u>	<u>146,202</u>	<u>134,216</u>	<u>102,621</u>	<u>457,431</u>
Depreciation	39,970	10,285	12,258	10,832	39,894
Interest expense	16,724	7,224	8,929	8,886	30,798
Repairs and maintenance	11,923	4,429	6,813	6,813	25,209
Utilities	14,623	2,515	4,196	4,196	11,804
Insurance	5,732	2,129	3,275	3,275	12,120
Loss on disposal of equipment	-	-	-	-	-
Total occupancy costs	<u>88,972</u>	<u>26,582</u>	<u>35,471</u>	<u>34,002</u>	<u>119,825</u>
Contract labor	102	2,500	-	-	36,801
Contract labor in kind	4,140	5,175	2,070	2,070	3,105
Office expenses	4,376	3,259	5,629	1,905	24,292
Equipment lease	4,752	1,663	1,721	1,586	7,863
Marketing	160	-	-	-	5,743
Professional fees	728	270	416	416	1,539
Conferences, education and travel	5,523	1,287	929	257	2,130
Telephone	1,795	636	993	993	3,693
Special events and fundraising	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Appreciation	529	281	399	99	624
Newsletters and publications	<u>2,644</u>	<u>1,903</u>	<u>1,052</u>	<u>1,012</u>	<u>1,426</u>
Total other expenses	<u>24,749</u>	<u>16,974</u>	<u>13,209</u>	<u>8,338</u>	<u>87,216</u>
Total functional expenses	<u>\$ 876,992</u>	<u>\$ 262,561</u>	<u>\$ 195,859</u>	<u>\$ 403,237</u>	<u>\$ 675,714</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Capital Campaign</u>	<u>Fundraising</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 165,600
<u>-</u>	<u>-</u>	<u>-</u>	<u>753,971</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>919,571</u>
44,805	-	105,323	961,165
6,521	-	15,329	139,893
<u>6,097</u>	<u>-</u>	<u>14,333</u>	<u>130,804</u>
<u>57,423</u>	<u>-</u>	<u>134,985</u>	<u>1,231,862</u>
10,842	-	8,619	132,700
9,178	-	7,544	89,283
7,017	-	5,927	68,131
5,473	-	3,268	46,075
4,444	-	2,850	33,825
<u>346</u>	<u>-</u>	<u>-</u>	<u>346</u>
<u>37,300</u>	<u>-</u>	<u>28,208</u>	<u>370,360</u>
3,120	-	13,079	55,602
5,175	-	3,105	24,840
23,823	971	8,487	72,742
6,293	-	2,237	26,115
1,024	-	14,078	21,005
7,648	1,915	361	13,293
1,473	-	88	11,687
2,552	-	891	11,553
-	-	11,215	11,215
-	10,651	500	11,151
2,383	-	410	4,725
<u>828</u>	<u>-</u>	<u>501</u>	<u>9,366</u>
<u>54,319</u>	<u>13,537</u>	<u>54,952</u>	<u>273,294</u>
\$ <u>149,042</u>	\$ <u>13,537</u>	\$ <u>218,145</u>	\$ <u>2,795,087</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2016

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth & Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 79,130	\$ 50,080	\$ 9,625	\$ 11,935	\$ -
Client betterment - in kind	<u>365,236</u>	<u>7,006</u>	<u>3,840</u>	<u>220,998</u>	<u>8,062</u>
Total client betterment costs	<u>444,366</u>	<u>57,086</u>	<u>13,465</u>	<u>232,933</u>	<u>8,062</u>
Salaries and wages	167,948	121,636	83,007	73,470	343,168
Fringe benefits	32,475	31,490	5,192	10,113	43,368
Other personnel costs	<u>27,734</u>	<u>19,477</u>	<u>13,427</u>	<u>11,746</u>	<u>55,784</u>
Total personnel costs	<u>228,157</u>	<u>172,603</u>	<u>101,626</u>	<u>95,329</u>	<u>442,320</u>
Depreciation	16,251	11,306	6,854	6,617	10,536
Interest expense	5,838	4,298	2,228	2,133	2,717
Repairs and maintenance	9,432	3,508	2,378	1,662	16,502
Utilities	5,066	4,286	1,525	1,423	10,314
Insurance	9,342	7,053	3,227	3,064	3,081
Loss on disposal of equipment	-	-	-	-	-
Relocation expenses	-	-	-	-	-
Rent	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Total occupancy costs	<u>45,929</u>	<u>30,451</u>	<u>16,212</u>	<u>14,899</u>	<u>49,150</u>
Contract labor	2,366	1,393	1,088	430	34,243
Contract labor in kind	-	-	-	-	-
Office expenses	17,685	9,957	5,465	5,031	32,009
Equipment lease	5,853	4,479	2,065	1,962	13,786
Marketing	3,730	3,048	1,070	940	4,400
Professional fees	5,368	4,064	1,938	1,845	1,990
Conferences, education and travel	7,160	2,540	440	453	7,410
Telephone	3,912	2,520	1,951	1,517	4,797
Special events and fundraising	-	-	-	-	-
Bad debt expense	-	-	-	-	-
Appreciation	3,009	2,074	876	900	3,114
Newsletters and publications	<u>2,355</u>	<u>1,695</u>	<u>937</u>	<u>901</u>	<u>1,270</u>
Total other expenses	<u>51,438</u>	<u>31,770</u>	<u>15,830</u>	<u>13,979</u>	<u>103,019</u>
Total functional expenses	<u>\$ 769,890</u>	<u>\$ 291,910</u>	<u>\$ 147,133</u>	<u>\$ 357,140</u>	<u>\$ 602,551</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>		<u>Total</u>
	<u>Capital Campaign</u>	<u>Other</u>	
\$ -	\$ -	\$ -	\$ 150,770
<u>-</u>	<u>-</u>	<u>-</u>	<u>605,142</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>755,912</u>
52,826	23,328	90,887	956,270
7,639	3,691	7,176	141,144
<u>7,772</u>	<u>3,623</u>	<u>14,127</u>	<u>153,690</u>
<u>68,237</u>	<u>30,642</u>	<u>112,190</u>	<u>1,251,104</u>
10,455	3,030	3,423	68,472
6,149	12,255	1,021	36,639
1,492	3,734	776	39,484
6,890	5,611	521	35,636
2,959	3,697	1,356	33,779
-	3,022	-	3,022
-	31,690	-	31,690
<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
<u>27,945</u>	<u>63,039</u>	<u>7,097</u>	<u>254,722</u>
6,074	580	21,807	67,981
-	-	-	-
6,332	13,863	17,881	108,223
1,881	3,527	873	34,426
1,848	22,284	14,106	51,426
1,718	28,841	839	46,603
1,101	843	125	20,072
1,602	674	622	17,595
-	-	62,248	62,248
-	170,796	3,550	174,346
1,183	1,201	589	12,946
<u>737</u>	<u>-</u>	<u>446</u>	<u>8,341</u>
<u>22,476</u>	<u>242,609</u>	<u>123,086</u>	<u>604,207</u>
\$ <u>118,658</u>	\$ <u>336,290</u>	\$ <u>242,373</u>	\$ <u>2,865,945</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(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 2016, the agency moved its operations to 35 Park Street, a facility that has expanded the space available to both programs and services and its thrift shop. A total of 19 Board members, 36 staff members and over 230 volunteers are now involved in its work. Its mission is to provide critical resources to families and individuals so they may achieve self-sufficiency, through emergency and long-term assistance including: access to food, housing stability, adult and youth education, counseling and advocacy. The Organization is primarily supported by donor contributions and thrift shop sales.

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 FY17, the Food Pantry distributed 327,120 pounds of food to 2,413 individuals (1,088 households) in 8,178 visits. The summer Mobile Market distributed 36,754 pounds of food to 719 individuals (427 households). The summer food program distributed 8,469 pounds of food to 283 individuals (94 households) in 286 visits to those families in need of extra food during the summer months.

Direct Services include case management; housing stability, heat and utility assistance, tax preparation and clothing and goods assistance. Case Managers help clients cope with complex and economically challenging situations and connect them to resources and services. In FY17, 1,305 (612 households) clients were assisted. The Earned Income Tax Credit (EITC) outreach program provides working low-income individuals and families with free tax preparation. In FY17, 231 tax returns were filed resulting in over \$390,020 in refunds to clients; with \$211,732 as a direct result of EITC funds.

Education classes are broken out by Adult and Youth and Family. Adult classes include HiSET Test Preparation, English Language Classes and College and Career Readiness. Youth ages 6 to 14 are served through After School Homework Clubs and with their parents or guardians through Family Nights. In FY17, the agency served 97 HiSET students, 172 ESOL students and 68 College and Career Readiness students. Twenty-two children were enrolled in After School Homework Clubs.

Seasonal programs include a holiday gift program, back-to-school backpack distribution and summer camp placements. In FY17, 663 children received holiday gifts, 644 backpacks filled with school supplies were distributed and 86 children were placed in summer camps.

The Organization operates 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 FY17, 217 vouchers were distributed.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Summary of Significant Accounting Policies

Basis of Accounting and Presentation

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Organization had no permanently restricted net assets at June 30, 2017 and 2016.

Use of Estimates

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

Cash and Cash Equivalents

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

Pledges receivable and bad debts

Pledges receivable consist of promises to give related to the Organization's Capital Campaign and programs. Pledges receivable are recorded in the year made. Uncollectible pledges are written-off in the year management deems them uncollectible using an allowance for uncollectible pledges. The Organization estimates uncollectible pledges at 3% of outstanding pledges. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved (3% at June 30, 2017). Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Inventory

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Continued

Savings – Board Designated

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 \$14,229.

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.

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 14, 2017, the date the financial statements were available to be issued.

Property and Equipment

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

Impairment of Long-Lived Assets

The Organization has given consideration to the Financial Accounting Standards Board Statement ASC 360, Accounting for the Impairment of Long-Lived Assets (ASC 360) in its presentation of these financial statements. As of June 30, 2017, 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.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Continued

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 \$26,740 and \$9,642 during the years ended June 30, 2017 and 2016, respectively. However, many individuals volunteer their time and perform a variety of tasks that assist the organization in carrying out its mission, which are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 are not met.

Contributions

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

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of food and non-food items are recorded using a wholesale value of \$1.72 per pound for the years ended June 30, 2017 and 2016, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$179,423 and \$80,502 for FY17 and FY16, respectively. Contributions of cash that must be used to acquire land, buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Allocation of Expenses

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

Marketing

The Organization expenses marketing and promotional costs as incurred. Marketing costs were \$21,005 and \$51,426 for the years ended June 30, 2017 and 2016, respectively.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Continued

Income Tax Status and Uncertainty of Income Taxes

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

Management follows ASC Topic 740 relating to accounting for uncertainty in income taxes. As required, management has evaluated its tax positions applying a "more likely than not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the federal or state taxing authorities. Management has filed all of the organization's tax filings in a timely manner including, as permitted, allowed extensions. Years 2012 through 2016 remain subject to examination by the United States taxing authority.

Concentration Risks

The Organization maintains a balance in its savings account greater than the Federally insured limit. Management reviews the depository institution's financial statements at least semi-annually to minimize exposure.

Reclassifications

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

(3) Savings - Board Designated

Board designated savings include \$14,229 of unrestricted interest income. The balance of the board designated savings consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Money market accounts	\$ <u>417,194</u>	\$ <u>414,699</u>

(4) Pledges Receivable

Pledges receivable pertain to the Organization's capital campaign and programs. Outstanding pledges receivable at June 30, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 464,149	\$ 484,328
One to five years	296,566	562,256
More than five years	<u>-</u>	<u>-</u>
Gross pledges receivable	760,715	1,046,584
Less allowance for doubtful accounts	(23,116)	(31,195)
Less present value discount (3% rate)	(<u>28,804</u>)	(<u>51,650</u>)
Pledges receivable, net	\$ <u>708,795</u>	\$ <u>963,739</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(5) Property and Equipment

Property and equipment are comprised of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land, building and improvements	\$ 3,441,296	\$ 4,188,317
Office and program equipment	225,189	215,169
Software	23,595	23,595
Motor vehicles	88,559	88,559
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	3,780,985	4,517,986
Less accumulated depreciation	<u>254,726</u>	<u>235,798</u>
Property and equipment, net	<u>\$ 3,526,259</u>	<u>\$ 4,282,188</u>

Depreciation expense was \$132,700 and \$68,472 for the years ended June 30, 2017 and 2016, respectively.

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

(6) Note Payable - Demand

The Organization has a line of credit of \$625,000 with a local bank. The note carries interest at the bank's base rate (3.75% at June 30, 2017), and expires November 1, 2017. The outstanding balance at June 30, 2017 and 2016 was \$-0-. The line of credit is secured by all business assets and two money market accounts at the same bank which total \$417,194 as of June 30, 2017.

(7) Mortgage Payable

The Organization has a mortgage payable to a bank as follows:

Mortgage payable maturing May 11, 2026, using a 25 year amortization, secured by land and building located on Park St., Beverly, MA. Principal and interest (4.19%) payments of approximately \$10,562 are payable monthly through May, 2021 at which time the interest rate will adjust. Additional collateral for this mortgage is the assignment of leases and rents of the property. The mortgage contains various financial and non-financial covenants which have not been satisfied as of June 30, 2017. The principal balance of the mortgage was \$1,651,499 at June 30, 2017. Current portion is \$57,000.

Mortgage paid off upon sale of the building located on Cabot St., Beverly, MA. Principal and interest (5.5%) payments of approximately \$2,781 were payable monthly. The principal balance of the mortgage was \$309,604 at June 30, 2016.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(7) Continued

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

2018	\$ 57,000
2019	58,900
2020	60,900
2021	63,000
2022	65,300
Thereafter	1,346,399

(8) Commitments and Contingencies

Operating Leases

The Organization has operating leases for various office equipment which expire at various times through 2022. For the years ended June 30, 2017 and 2016, total rental expense under these lease agreements amounted to approximately \$6,649 and \$1,903, respectively.

As of June 30, 2017, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2018	\$ 6,944
2019	6,442
2020	6,442
2021	1,909
2022	<u>954</u>
	\$ <u><u>22,691</u></u>

PEO Agreement

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

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

The agreement renews annually for a one-year term.

(9) Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Pledges receivable, net of discount and allowance for doubtful accounts	\$ 708,795	\$ 963,739
Programs	<u>44,517</u>	<u>59,271</u>
	\$ <u><u>753,312</u></u>	\$ <u><u>1,023,010</u></u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(10) Operating Reserve Fund Activity and Designated Net Asset Balances

As a component of its unrestricted net assets, the Organization has a Board-designated Operating Reserve Fund (see also Note 2) comprised of 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.

Fund activity for the years ended June 30, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Operating Reserve Fund net assets, beginning of year	\$ 371,783	\$ 406,294
Board designation	-	-
Interest income	2,495	2,524
Board appropriation	<u>-</u>	<u>(37,035)</u>
Operating Reserve Fund net assets, end of year	\$ <u>374,278</u>	\$ <u>371,783</u>

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"). Not yet included in the Fund are liquid assets totaling \$40,000 the Board has designated for capital replacement reserves and other operating reserves.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(11) 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, 2017 and 2016, matching contributions totaled \$33,580 and \$34,136, respectively.

(12) Concentrations

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.

(13) Related Parties

The Organization has members of its Board of Directors who are associated with vendors and banks that conduct business with the Organization. As of June 30, 2017, the Organization has their checking and loan accounts with these banks.

(14) Prior Period Adjustment

During the fiscal year ended June 30, 2017, the Organization was made aware of \$8,900 of services provided by a vendor for the fiscal year ended June 30, 2016 that were not billed by the vendor. The comparative financial statements for the year ended June 30, 2016 have been restated to include the additional \$8,900 of repairs and maintenance expense. The effect of this prior period adjustment reduced the change in net assets and the net assets by \$8,900.