

**BEVERLY BOOTSTRAPS  
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2016 and 2015

# 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, 2016 and 2015, 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.

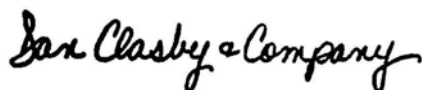
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2016 and 2015, 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.

Very truly yours,



October 31, 2016

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statements of Financial Position

June 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 258,654	\$ 417,410
Savings - board designated	<u>414,699</u>	<u>449,210</u>
Total cash and cash equivalents	673,353	866,620
Accounts receivable	7,321	-
Prepaid expenses and other	26,715	26,635
Pledges receivable - net, current	<u>484,328</u>	<u>652,553</u>
Total current assets	1,191,717	1,545,808
Pledges receivable - net, noncurrent	479,411	1,255,643
Construction in progress	-	1,365,979
Property and equipment, net	<u>4,282,188</u>	<u>776,156</u>
Total Assets	\$ <u>5,953,316</u>	\$ <u>4,943,586</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Note payable - demand	\$ -	\$ 334,300
Current portion of mortgages payable	62,500	16,500
Accounts payable and accrued expenses	<u>63,687</u>	<u>161,082</u>
Total current liabilities	<u>126,187</u>	<u>511,882</u>
Long term liabilities:		
Construction mortgage payable	-	350,000
Mortgages payable, net of current portion	<u>2,177,210</u>	<u>293,104</u>
Total long term liabilities	<u>2,177,210</u>	<u>643,104</u>
Total Liabilities	<u>2,303,397</u>	<u>1,154,986</u>
Net assets:		
Unrestricted		
Undesignated	2,212,210	1,317,045
Board designated	<u>414,699</u>	<u>449,210</u>
Total unrestricted	2,626,909	1,766,255
Temporarily restricted	<u>1,023,010</u>	<u>2,022,345</u>
Total Net Assets	<u>3,649,919</u>	<u>3,788,600</u>
Total Liabilities and Net Assets	\$ <u>5,953,316</u>	\$ <u>4,943,586</u>

See accompanying notes to financial statements.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Statements of Activities  
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
Contributions, in-kind	695,881	-	695,881
Thrift shop sales	661,744	-	661,744
Special events	197,730	-	197,730
Program service revenue	10,907	-	10,907
Government grants	10,495	-	10,495
Miscellaneous revenue	6,206	-	6,206
Interest income	2,590	-	2,590
Gain on sale of condominium	-	-	-
Forgiveness of debt	-	-	-
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	1,555,935	-	1,555,935
Program services - in kind	<u>605,142</u>	<u>-</u>	<u>605,142</u>
Total program services	<u>2,161,077</u>	<u>-</u>	<u>2,161,077</u>
Supporting services:			
Management and general	118,322	-	118,322
Fundraising	<u>577,646</u>	<u>-</u>	<u>577,646</u>
Total supporting services	<u>695,968</u>	<u>-</u>	<u>695,968</u>
Total expenses	<u>2,857,045</u>	<u>-</u>	<u>2,857,045</u>
Change in net assets	860,654	( 999,335)	( 138,681)
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>2,626,909</u>	\$ <u>1,023,010</u>	\$ <u>3,649,919</u>

See accompanying notes to financial statements.

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 871,680	\$ 2,671,091	\$ 3,542,771
Contributions, in-kind	511,823	-	511,823
Thrift shop sales	657,393	-	657,393
Special events	36,188	8,315	44,503
Program service revenue	-	-	-
Government grants	8,000	-	8,000
Miscellaneous revenue	-	-	-
Interest income	3,094	-	3,094
Gain on sale of condominium	116,337	-	116,337
Forgiveness of debt	27,000	-	27,000
Net assets released from restrictions	<u>1,115,437</u>	<u>(1,115,437)</u>	<u>-</u>
Total support and revenue	<u>3,346,952</u>	<u>1,563,969</u>	<u>4,910,921</u>
Expenses			
Program services:			
Program services	1,355,918	-	1,355,918
Program services - in kind	<u>473,325</u>	<u>-</u>	<u>473,325</u>
Total program services	<u>1,829,243</u>	<u>-</u>	<u>1,829,243</u>
Supporting services:			
Management and general	155,741	-	155,741
Fundraising	<u>531,561</u>	<u>-</u>	<u>531,561</u>
Total supporting services	<u>687,302</u>	<u>-</u>	<u>687,302</u>
Total expenses	<u>2,516,545</u>	<u>-</u>	<u>2,516,545</u>
Change in net assets	830,407	1,563,969	2,394,376
Net assets at beginning of year	<u>935,848</u>	<u>458,376</u>	<u>1,394,224</u>
Net assets at end of year	\$ <u>1,766,255</u>	\$ <u>2,022,345</u>	\$ <u>3,788,600</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$( 138,681)	\$ 2,394,376
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	68,472	39,825
Loss on disposal of equipment	3,022	-
Gain on sale of condominium	-	( 116,337)
Forgiveness of debt	-	( 27,000)
Change in allowance for doubtful accounts	( 29,973)	58,668
Contributions in-kind property and equipment	( 48,542)	( 5,880)
Changes in operating assets and liabilities:		
Pledges receivable	967,110	(1,676,715)
Prepaid expenses	( 80)	18,504
Accounts payable and accrued expenses	( 97,395)	66,345
Deferred revenue	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>723,933</u>	<u>751,786</u>
Cash flows from investing activities:		
Construction in progress expenditures	-	(1,359,527)
Net proceeds from sale of condominium	-	194,650
Purchases of property and equipment	(2,163,006)	( 43,209)
Net cash used by investing activities	<u>(2,163,006)</u>	<u>(1,208,086)</u>
Cash flows from financing activities:		
Payments of mortgages payable	( 19,894)	( 15,629)
Proceeds from construction mortgage	1,600,000	350,000
Repayments of note payable - demand	( 629,300)	-
Proceeds from note payable - demand	<u>295,000</u>	<u>186,955</u>
Net cash provided by financing activities	<u>1,245,806</u>	<u>521,326</u>
Net change in cash and cash equivalents	( 193,267)	65,026
Cash and cash equivalents at beginning of year	<u>866,620</u>	<u>801,594</u>
Cash and cash equivalents at end of year	\$ <u>673,353</u>	\$ <u>866,620</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ 48,542	\$ 5,880
Debt forgiven	\$ -	\$ 27,000
Cash paid during the year for:		
Interest	\$ 32,334	\$ 27,236
Interest capitalized	\$ 28,076	\$ 4,834

See accompanying notes to financial statements.

**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 &amp; 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>
Rent	-	-	-	-	6,000
Repairs and maintenance	7,307	2,717	1,842	1,287	12,782
Depreciation	16,251	11,306	6,854	6,617	10,536
Utilities	5,066	4,286	1,525	1,423	10,314
Interest expense and condo fees	5,838	4,298	2,228	2,133	2,717
Insurance	9,342	7,053	3,227	3,064	3,081
Relocation expenses	-	-	-	-	-
Loss on disposal of equipment	-	-	-	-	-
Real estate taxes	-	-	-	-	-
Total occupancy costs	<u>43,804</u>	<u>29,660</u>	<u>15,676</u>	<u>14,524</u>	<u>45,430</u>
Professional fees	5,368	4,064	1,938	1,845	1,990
Office expenses	17,685	9,957	5,465	5,031	32,009
Bad debt expense	-	-	-	-	-
Contract labor	2,366	1,393	1,088	430	34,243
Marketing	3,730	3,048	1,070	940	4,400
Conferences, education and travel	7,160	2,540	440	453	7,410
Equipment lease	5,853	4,479	2,065	1,962	13,786
Telephone	3,912	2,520	1,951	1,517	4,797
Special events and fundraising	-	-	-	-	-
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>\$ 767,765</u>	<u>\$ 291,119</u>	<u>\$ 146,597</u>	<u>\$ 356,765</u>	<u>\$ 598,831</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>
-	-	-	6,000
1,156	2,892	601	30,584
10,455	3,030	3,423	68,472
6,890	5,611	521	35,636
6,149	12,255	1,021	36,639
2,959	3,697	1,356	33,779
-	31,690	-	31,690
-	3,022	-	3,022
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>27,609</u>	<u>62,197</u>	<u>6,922</u>	<u>245,822</u>
1,718	28,841	839	46,603
6,332	13,863	17,881	108,223
-	170,796	3,550	174,346
6,074	580	21,807	67,981
1,848	22,284	14,106	51,426
1,101	843	125	20,072
1,881	3,527	873	34,426
1,602	674	622	17,595
-	-	62,248	62,248
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>118,322</u>	\$ <u>335,448</u>	\$ <u>242,198</u>	\$ <u>2,857,045</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## Statement of Functional Expenses

Year Ended June 30, 2015

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth &amp; Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 79,902	\$ 48,859	\$ 5,464	\$ 12,065	\$ -
Client betterment - in kind	<u>305,738</u>	<u>10,570</u>	<u>2,647</u>	<u>147,814</u>	<u>6,556</u>
Total client betterment costs	<u>385,640</u>	<u>59,429</u>	<u>8,111</u>	<u>159,879</u>	<u>6,556</u>
Salaries and wages	148,536	113,076	81,679	86,782	225,149
Fringe benefits	40,394	29,209	4,882	10,621	35,788
Other personnel costs	<u>20,756</u>	<u>15,801</u>	<u>11,413</u>	<u>12,126</u>	<u>31,461</u>
Total personnel costs	<u>209,686</u>	<u>158,086</u>	<u>97,974</u>	<u>109,529</u>	<u>292,398</u>
Rent	756	-	-	-	32,480
Repairs and maintenance	9,874	10,441	2,569	2,377	18,966
Depreciation	14,237	11,948	3,982	3,684	-
Utilities	5,376	4,623	1,504	1,391	11,069
Interest expense and condo fees	6,343	6,539	1,774	1,641	-
Insurance	11,127	6,945	2,314	2,142	951
Real estate taxes	-	-	-	-	-
Total occupancy costs	<u>47,713</u>	<u>40,496</u>	<u>12,143</u>	<u>11,235</u>	<u>63,466</u>
Professional fees	2,944	1,771	824	762	-
Office expenses	10,240	8,893	2,899	4,657	20,070
Bad debt expense	-	-	-	-	-
Contract labor	190	2,850	850	-	32,210
Marketing	1,986	1,270	437	444	3,188
Conferences, education and travel	9,715	3,152	1,094	2,125	4,994
Equipment lease	5,059	4,245	1,415	1,309	5,272
Telephone	4,379	3,458	1,273	1,186	2,313
Special events and fundraising	-	-	-	-	-
Appreciation	3,562	2,824	1,170	927	1,313
Newsletters and publications	<u>4,051</u>	<u>3,400</u>	<u>1,133</u>	<u>1,048</u>	<u>-</u>
Total other expenses	<u>42,126</u>	<u>31,863</u>	<u>11,095</u>	<u>12,458</u>	<u>69,360</u>
Total functional expenses	<u>\$ 685,165</u>	<u>\$ 289,874</u>	<u>\$ 129,323</u>	<u>\$ 293,101</u>	<u>\$ 431,780</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>	
\$ -	\$ -	\$ -	\$ 146,290
<u>-</u>	<u>-</u>	<u>-</u>	<u>473,325</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>619,615</u>
101,838	84,687	71,712	913,459
8,886	6,641	10,939	147,360
<u>14,722</u>	<u>11,772</u>	<u>10,021</u>	<u>128,072</u>
<u>125,446</u>	<u>103,100</u>	<u>92,672</u>	<u>1,188,891</u>
-	40,000	-	73,236
2,960	18,089	1,285	66,561
3,983	-	1,991	39,825
1,504	2,975	752	29,194
1,774	9,494	887	28,452
2,316	-	1,158	26,953
<u>-</u>	<u>11,972</u>	<u>-</u>	<u>11,972</u>
<u>12,537</u>	<u>82,530</u>	<u>6,073</u>	<u>276,193</u>
324	115,900	412	122,937
5,898	2,771	6,211	61,639
-	58,668	-	58,668
2,478	1,000	15,537	55,115
573	15,920	10,904	34,722
2,984	1,781	816	26,661
1,415	-	708	19,423
1,908	-	575	15,092
-	-	13,914	13,914
823	725	777	12,121
<u>1,355</u>	<u>-</u>	<u>567</u>	<u>11,554</u>
<u>17,758</u>	<u>196,765</u>	<u>50,421</u>	<u>431,846</u>
\$ <u>155,741</u>	\$ <u>382,395</u>	\$ <u>149,166</u>	\$ <u>2,516,545</u>

## BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

### Notes to Financial Statements

June 30, 2016 and 2015

#### (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 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 FY16, the Food Pantry distributed 307,720 pounds of food to 2,522 individuals (1,111 households) in 7,693 visits. The summer Mobile Market distributed 52,934 pounds of food to 860 individuals (520 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 FY16, 1,567 (682 households) clients were assisted. The Earned Income Tax Credit (EITC) outreach program provides working low-income individuals and families with free tax preparation. In FY16, 222 tax returns were filed resulting in over \$484,933 in refunds to clients; with \$177,289 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 FY16, the agency served 92 HiSET students, 166 ESOL students and 55 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 FY16, 708 children received holiday gifts, 704 backpacks filled with school supplies were distributed and 80 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 FY16, 237 vouchers were distributed.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(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, 2016 and 2015.

***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, 2016). 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, 2016 and 2015

**(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 \$11,734.

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 October 31, 2016, 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 \$1,000 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, 2016, the Organization has not recognized any reduction in the carrying value of its property when considering ASC 360.

***Fair Value***

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs in fair value measurements and expands disclosures about fair value measurements. "Level I" measurements are measurements using quoted prices in active markets for identical assets or liabilities. "Level II" measurements use significant other observable inputs. "Level III" measurements are measurements using significant unobservable inputs which require development of assumptions. In recording the fair value of its assets and liabilities, Beverly Bootstraps uses Level I measurements.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(2) Continued**

***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 \$9,642 and \$23,451 during the years ended June 30, 2016 and 2015, 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 are recorded using a wholesale value of \$1.72 per pound for the years ended June 30, 2016 and 2015, as determined by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$80,502 and \$33,853 for FY16 and FY15, 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.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(2) Continued**

***Marketing***

The Organization expenses marketing and promotional costs as incurred. Marketing costs were \$51,426 and \$34,722 for the years ended June 30, 2016 and 2015, respectively.

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

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

Management follows ASC Topic 740 relating to accounting for uncertainty in income taxes. As required, management has evaluated its tax positions applying a "more likely than not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the federal or state taxing authorities. Management has filed all of the organization's tax filings in a timely manner including, as permitted, allowed extensions. Years 2011 through 2015 remain subject to examination by the United States taxing authority.

***Reclassifications***

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

**(3) Savings – Board Designated**

Board designated savings include \$11,734 of unrestricted interest income. The balance of the board designated savings consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Money market accounts	\$ <u>414,699</u>	\$ <u>449,210</u>

**(4) Pledges Receivable**

Pledges receivable pertain to the Organization's capital campaign and programs. Outstanding pledges receivable at June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Pledges receivable expected to be collected in:		
Less than one year	\$ 484,328	\$ 652,552
One to five years	562,256	1,454,256
More than five years	<u>-</u>	<u>-</u>
Gross pledges receivable	1,046,584	2,106,808
Less allowance for doubtful accounts	( 31,195)	( 61,168)
Less present value discount (3% rate)	( <u>51,650</u> )	( <u>137,444</u> )
Pledges receivable, net	\$ <u>963,739</u>	\$ <u>1,908,196</u>



**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(5) Construction in Progress**

On January 29, 2015 the Organization purchased a building (the thrift store location) and completed renovation of the property during the year ended June 30, 2016. Construction in progress was \$1,365,979 at June 30, 2015.

**(6) Property and Equipment**

Property and equipment are comprised of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land, building and improvements	\$ 4,188,317	\$ 773,046
Office and program equipment	215,169	73,970
Software	23,595	23,595
Motor vehicles	88,559	88,559
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	4,517,986	961,516
Less accumulated depreciation	<u>235,798</u>	<u>185,360</u>
Property and equipment, net	<u>\$ 4,282,188</u>	<u>\$ 776,156</u>

Depreciation expense was \$68,472 and \$39,825 for the years ended June 30, 2016 and 2015, respectively.

A condominium was purchased in 1999 through the HOME Investment Partnership Program and was used in the Clear Point Horizons housing program. In exchange for an interest-free loan of \$27,000 used to purchase the property, the Organization granted the North Shore HOME Consortium a fifteen (15) year Affordable Housing Restriction ensuring retention of the property for occupancy by low income persons and families through September 2014. This restriction was satisfied. The condominium was sold on November 26, 2014 for a net gain of \$116,337 as reported on the statement of activities for the year ended June, 30, 2015.

**(7) Note Payable - Demand**

On April 22, 2014, the Organization obtained a line of credit of \$625,000 with a local bank. The note carries interest at the bank's base rate (3.5% at June 30, 2016), renewed July 9, 2015 and expires November 1, 2016. The outstanding balance at June 30, 2016 and 2015 was \$-0- and \$334,300, respectively. The line of credit is secured by all business assets and two money market accounts at the same bank which total \$414,699 as of June 30, 2016.

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(8) Mortgages Payable**

The Organization has two mortgages payable to banks as follows:

Mortgage payable maturing July 16, 2028, secured by land and office building located on Cabot St., Beverly, MA. Principal and interest (5.5%) payments of approximately \$2,781 are payable monthly through March, 2021 at which time the interest rate will adjust. The principal balance of the mortgage was \$293,151 and \$309,604 at June 30, 2016 and 2015, respectively. Current portion is \$17,500.

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 construction mortgage is the assignment of leases and rents of the property and a junior mortgage on the Organization's Cabot street facility. The construction mortgage contains various financial and non-financial covenants which have been satisfied as of June 30, 2016. The principal balance of the mortgage was \$1,946,559 at June 30, 2016. Current portion is \$45,000.

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

2017	\$ 62,500
2018	65,400
2019	68,400
2020	71,500
2021	74,700
Thereafter	1,897,210

**(9) Construction Mortgage Payable**

In January 2015, the Organization entered into a construction mortgage with a bank to assist in the acquisition and build out of a building to be used as the Organization's sole operating facility. The outstanding balance was \$350,000 as of June 30, 2015. The construction mortgage, as amended on July 9, 2015, calls for interest only during construction (a maximum of 12 months) on a maximum amount of \$2.1 million. During construction the interest rate was the prime rate. Additional collateral for this construction mortgage was assignment of leases and rents of the property and a junior mortgage on the Organization's previous headquarters. The construction mortgage contained various financial and non-financial covenants. The construction mortgage converted to a fixed rate term mortgage on the date of occupancy of the building.

**(10) Mortgage Payable - Forgivable**

The Organization had a \$27,000 loan payable to the City of Beverly secured by the land and condominium used in the Clear Point Horizons program. This mortgage was forgiven and discharged on September 24, 2015 by the City of Beverly. The forgiveness of debt of \$27,000 is reported on the statement of activities as forgiveness of debt revenue. The loan was interest-free and was for a term of 15 years. The use of the security was subject to an Affordable Housing Restriction granted to the North Shore HOME Consortium (see Note 6).

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(11) Commitments and Contingencies**

***Operating Leases***

The Organization also has operating leases for various office equipment which expire at various times through 2018. For the years ended June 30, 2016 and 2015, total rental expense under these lease agreements amounted to approximately \$1,903 and \$4,169, respectively.

As of June 30, 2016, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2017	\$ 1,470
2018	<u>502</u>
	<u>\$ 1,972</u>

The Organization rented, on a tenant at will basis, temporary space for thrift store overflow amounting to \$6,000 during the year ended June 30, 2016. The Organization leased a 5,660 square foot facility in Beverly for the purpose of operating its thrift store program. The Organization purchased this property on January 29, 2015. The five year lease required initial monthly rent of \$3,881 with an option to renew for five years. The costs of utilities and maintenance were the responsibility of the Organization.

Thrift store rent expense was \$33,236 for the year ended June 30, 2015.

***PEO Agreement***

Beginning in January 2012, the Organization entered 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. Effective July 1, 2016 the Organization entered into a PEO agreement with a different provider under substantially similar terms.

**(12) Restrictions on Net Assets**

Temporarily restricted net assets at June 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Pledges receivable, net of discount and allowance for doubtful accounts	\$ 963,739	\$ 1,908,196
Programs	<u>59,271</u>	<u>114,149</u>
	<u>\$ 1,023,010</u>	<u>\$ 2,022,345</u>

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

Notes to Financial Statements

June 30, 2016 and 2015

**(13) 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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Operating Reserve Fund net assets, beginning of year	\$ 406,294	\$ 404,164
Board designation	-	-
Interest income	2,524	2,130
Board appropriation	<u>( 37,035)</u>	<u>-</u>
Operating Reserve Fund net assets, end of year	\$ <u>371,783</u>	\$ <u>406,294</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, 2016 and 2015

**(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, 2016 and 2015, matching contributions totaled \$34,136 and \$31,737, respectively.

**(15) 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.

**(16) 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, 2016, the Organization has their checking and loan accounts with these banks.

**(17) Lease Buyout**

In conjunction with the purchase of the building in January 2015, the Organization entered into an agreement to buyout the operating lease of a tenant in the building as an inducement for the tenant to vacate the premises. The lease buyout was \$40,000 which was expensed and included on the Statement of Activities for the year ended June 30, 2015.