



Consolidated Financial Statements
For the Years Ended
June 30, 2022 and 2021

Beverly Bootstraps Community Services, Inc.

Consolidated Financial Statements
For the Years Ended June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Directors of
Beverly Bootstraps Community Services, Inc.
Beverly, Massachusetts

Opinion

We have audited the accompanying consolidated financial statements of Beverly Bootstraps Community Services, Inc. (a Massachusetts nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of Beverly Bootstraps Community Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Consolidated Financial Statements

The consolidated financial statements of Beverly Bootstraps Community Services, Inc. as of June 30, 2021, were audited by other auditors whose report dated November 16, 2021 expressed an unmodified opinion on those statements. As more fully described in Note 17, the Organization has restated its June 30, 2021 consolidated financial statements during the current year to conform with the current year presentation, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2021 financial statements before the restatement.

As part of our audit of the June 30, 2022 financial statements, we also audited adjustments described in Note 17 that were applied to restate the June 30, 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the June 30, 2021 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2021 consolidated financial statements as a whole.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Beverly Bootstraps Community Services, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Beverly Bootstraps Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Beverly Bootstraps Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Litman-Borison Associates, LLP

Woburn, Massachusetts
December 16, 2022

Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Financial Position

June 30, 2022 and 2021 (restated)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 498,001	\$ 492,486
Cash and cash equivalents - board designated	239,294	288,204
Total cash and cash equivalents	<u>737,295</u>	<u>780,690</u>
Grants and contributions receivable	256,281	19,074
Inventory - thrift shop	45,252	4,437
Prepaid expenses and other current assets	43,993	51,484
Total current assets	<u>1,082,821</u>	<u>855,685</u>
Property and equipment, net	<u>3,298,545</u>	<u>3,391,615</u>
Other assets:		
Investments - board designated	512,864	551,584
Total other assets	<u>512,864</u>	<u>551,584</u>
Total assets	<u>\$ 4,894,230</u>	<u>\$ 4,798,884</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of note payable - SBA	\$ 3,600	\$ 3,900
Current portion of mortgage payable	8,900	8,400
Accounts payable and other current liabilities	255,703	163,816
Total current liabilities	<u>268,203</u>	<u>176,116</u>
Long-term liabilities:		
Note payable - SBA, net of current portion	144,477	146,100
Mortgage payable, net of current portion	382,426	389,383
Total long term liabilities	<u>526,903</u>	<u>535,483</u>
Total liabilities	<u>795,106</u>	<u>711,599</u>
Net assets:		
Without donor restrictions		
Undesignated	3,217,528	3,185,923
Board designated	752,158	839,788
Total without donor restrictions	<u>3,969,686</u>	<u>4,025,711</u>
With donor restrictions	129,438	61,574
Total net assets	<u>4,099,124</u>	<u>4,087,285</u>
Total liabilities and net assets	<u>\$ 4,894,230</u>	<u>\$ 4,798,884</u>

The accompanying notes are an integral part of these consolidated financial statements.

Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Activities

For the years ended June 30, 2022 and 2021 (restated)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	\$ 1,704,958	\$ 129,438	\$ 1,834,396	\$ 1,525,630	\$ 35,000	\$ 1,560,630
Contributions, in-kind	1,532,880	-	1,532,880	1,449,162	-	1,449,162
Government grants	75,000	-	75,000	-	26,574	26,574
Thrift shop sales	829,612	-	829,612	795,888	-	795,888
Client services	21,115	-	21,115	-	-	-
Investment income (loss), net	(36,565)	-	(36,565)	5,802	-	5,802
Gain on sale of vehicle	10,981	-	10,981	-	-	-
PPP loan forgiveness	-	-	-	287,500	-	287,500
Food truck sales	-	-	-	12,385	-	12,385
Net assets released from restriction	61,574	(61,574)	-	44,677	(44,677)	-
Total support and revenue	<u>4,199,555</u>	<u>67,864</u>	<u>4,267,419</u>	<u>4,121,044</u>	<u>16,897</u>	<u>4,137,941</u>
Expenses:						
Program services:						
Program services	2,170,932	-	2,170,932	1,898,984	-	1,898,984
Program services - in kind	1,484,680	-	1,484,680	1,441,617	-	1,441,617
Total program services	<u>3,655,612</u>	<u>-</u>	<u>3,655,612</u>	<u>3,340,601</u>	<u>-</u>	<u>3,340,601</u>
Management and general	198,521	-	198,521	153,655	-	153,655
Fundraising	401,447	-	401,447	332,184	-	332,184
Total expenses	<u>4,255,580</u>	<u>-</u>	<u>4,255,580</u>	<u>3,826,440</u>	<u>-</u>	<u>3,826,440</u>
Change in net assets	(56,025)	67,864	11,839	294,604	16,897	311,501
Net assets at beginning of year	4,025,711	61,574	4,087,285	3,731,107	44,677	3,775,784
Net assets at end of year	<u>\$ 3,969,686</u>	<u>\$ 129,438</u>	<u>\$ 4,099,124</u>	<u>\$ 4,025,711</u>	<u>\$ 61,574</u>	<u>\$ 4,087,285</u>

The accompanying notes are an integral part of these consolidated financial statements.

Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Functional Expenses

For the year ended June 30, 2022

	Program Services						Supporting Services			
	Food Assistance	Client Support	Adult Education	Youth & Family	Thrift Shop	BB Food Truck LLC	Total Program	Management and General	Fundraising	Total
Client betterment	\$ 83,321	\$ 72,192	\$ 1,939	\$ 8,482	\$ 250	\$ 845	\$ 167,029	\$ -	\$ -	\$ 167,029
Client betterment - in kind	721,298	17,262	1,519	244,740	2,094	-	986,913	-	-	986,913
Total client betterment	804,619	89,454	3,458	253,222	2,344	845	1,153,942	-	-	1,153,942
Salaries and wages	291,429	254,689	127,344	47,790	590,726	-	1,311,978	58,759	221,067	1,591,804
Fringe benefits	26,611	22,724	11,847	9,544	48,635	-	119,361	12,580	27,101	159,042
Other personal costs	38,828	27,724	16,711	8,355	71,108	-	162,726	8,153	38,032	208,911
Total personnel costs	356,868	305,137	155,902	65,689	710,469	-	1,594,065	79,492	286,200	1,959,757
Depreciation and amortization	11,791	9,986	14,948	14,948	55,054	-	106,727	15,189	12,730	134,646
Repairs and maintenance	14,164	2,696	13,890	4,322	36,476	-	71,548	4,427	3,642	79,617
Utilities	7,458	2,770	4,262	4,262	15,769	-	34,521	6,046	2,052	42,619
Insurance	8,073	2,998	4,613	4,613	17,068	-	37,365	9,180	4,013	50,558
Interest expense	4,383	1,628	2,505	2,505	9,267	-	20,288	2,981	2,179	25,448
Total occupancy costs	45,869	20,078	40,218	30,650	133,634	-	270,449	37,823	24,616	332,888
Cost of goods sold - in kind	-	-	-	-	497,767	-	497,767	-	-	497,767
Program and office supplies	18,134	5,012	11,723	4,860	20,891	125	60,745	27,801	18,521	107,067
Bank and credit card fees	-	-	-	-	3,945	-	3,945	1,248	11,374	16,567
Equipment lease	7,805	837	4,133	1,072	7,694	-	21,541	3,012	1,384	25,937
Telephone	2,693	949	2,279	1,492	5,424	-	12,837	1,994	1,271	16,102
Marketing	85	-	-	-	2,166	-	2,251	15,951	17,780	35,982
Professional fees	6,223	2,090	3,219	3,219	11,913	850	27,514	8,266	2,806	38,586
Newsletters and publications	-	-	-	-	-	-	-	14,097	-	14,097
Contract labor	-	-	-	-	-	-	-	-	9,785	9,785
Conferences, education and travel	4,619	167	167	167	1,471	-	6,591	5,725	335	12,651
Appreciation	860	437	475	666	1,527	-	3,965	3,112	750	7,827
Special events and fundraising	-	-	-	-	-	-	-	-	26,625	26,625
Total other expenses	40,419	9,492	21,996	11,476	552,798	975	637,156	81,206	90,631	808,993
Total functional expenses	\$ 1,247,775	\$ 424,161	\$ 221,574	\$ 361,037	\$ 1,399,245	\$ 1,820	\$ 3,655,612	\$ 198,521	\$ 401,447	\$ 4,255,580

The accompanying notes are an integral part of these consolidated financial statements.

Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Functional Expenses...continued

For the year ended June 30, 2021 (restated)

	Program Services						Supporting Services			
	Food Assistance	Client Support	Adult Education	Youth & Family	Thrift Shop	BB Food Truck LLC	Total Program	Management and General	Fundraising	Total
Client betterment	\$ 53,126	\$ 52,171	\$ 1,610	\$ 33,435	\$ 2,160	\$ -	\$ 142,502	\$ -	\$ -	\$ 142,502
Client betterment - in kind	760,244	9,428	585	179,818	14,008	-	964,083	-	-	964,083
Total client betterment	813,370	61,599	2,195	213,253	16,168	-	1,106,585	-	-	1,106,585
Salaries and wages	210,114	132,661	108,254	52,318	465,208	70,861	1,039,416	67,163	204,633	1,311,212
Fringe benefits	22,830	14,517	11,521	5,585	50,776	4,515	109,744	10,899	21,776	142,419
Other personal costs	28,778	18,209	14,771	7,166	64,053	17,905	150,882	13,312	27,787	191,981
Total personnel costs	261,722	165,387	134,546	65,069	580,037	93,281	1,300,042	91,374	254,196	1,645,612
Depreciation and amortization	27,789	10,322	15,879	15,879	58,754	845	129,468	14,853	13,815	158,136
Repairs and maintenance	15,782	2,525	12,780	3,885	23,669	3,546	62,187	4,669	3,380	70,236
Utilities	8,272	3,072	4,727	4,727	17,490	-	38,288	4,869	4,113	47,270
Insurance	6,788	3,316	3,834	3,109	14,452	2,153	33,652	3,722	3,928	41,302
Interest expense	6,813	2,530	3,893	3,893	14,404	-	31,533	4,010	3,386	38,929
Food truck supplies and expenses	-	-	-	-	-	7,842	7,842	-	-	7,842
Total occupancy costs	65,444	21,765	41,113	31,493	128,769	14,386	302,970	32,123	28,622	363,715
Cost of goods sold - in kind	-	-	-	-	477,534	-	477,534	-	-	477,534
Cost of goods sold - food truck	-	-	-	-	-	16,362	16,362	-	-	16,362
Program and office supplies	6,713	2,878	9,550	5,154	16,566	-	40,861	14,203	9,491	64,555
Bank and credit card fees	31	-	-	-	15,642	517	16,190	2,018	14,489	32,697
Equipment lease	14,559	633	4,142	826	8,137	-	28,297	1,286	1,029	30,612
Telephone	3,089	1,197	2,807	1,765	6,530	856	16,244	1,818	1,536	19,598
Marketing	134	-	-	-	4,055	524	4,713	2,962	11,920	19,595
Professional fees	2,261	1,057	1,635	1,635	6,134	200	12,922	2,712	1,437	17,071
Newsletters and publications	3,383	2,435	1,347	1,294	1,824	-	10,283	1,059	641	11,983
Contract labor	-	-	-	-	-	-	-	450	8,788	9,238
Conferences, education and travel	3,308	-	-	-	4,054	-	7,362	1,203	35	8,600
Appreciation	43	117	76	-	-	-	236	2,447	-	2,683
Total other expenses	33,521	8,317	19,557	10,674	540,476	18,459	631,004	30,158	49,366	710,528
Total functional expenses	\$ 1,174,057	\$ 257,068	\$ 197,411	\$ 320,489	\$ 1,265,450	\$ 126,126	\$ 3,340,601	\$ 153,655	\$ 332,184	\$ 3,826,440

The accompanying notes are an integral part of these consolidated financial statements.

Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021 (restated)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,839	\$ 311,501
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	134,646	158,136
Gain on sale of vehicle	(10,981)	-
Forgiveness of PPP loan	-	(287,500)
Amortization of debt issuance costs	1,583	1,583
Unrealized and realized loss (gain) on investments	38,720	(5,802)
In-kind contribution of inventory	(40,815)	-
In-kind contribution of property and equipment	-	(5,960)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	(237,207)	(3,924)
Prepaid expenses and other current assets	7,491	2,471
Increase in:		
Accounts payable and other current liabilities	91,887	65,666
Net cash provided by (used in) operating activities	<u>(2,837)</u>	<u>236,171</u>
Cash flows from investing activities:		
Proceeds from sale of vehicle	55,000	-
Purchases of property and equipment	(85,595)	(101,822)
Proceeds from redemption of certificate of deposit	-	300,000
Purchases of investments	-	(536,560)
Net cash used in investing activities	<u>(30,595)</u>	<u>(338,382)</u>
Cash flows from financing activities:		
Proceeds from note payable - SBA	-	150,000
Repayments of note payable - SBA	(1,923)	-
Repayments of mortgage payable	(8,040)	(417,334)
Net cash used in financing activities	<u>(9,963)</u>	<u>(267,334)</u>
Net change in cash and cash equivalents	(43,395)	(369,545)
Cash and cash equivalents at beginning of year	780,690	1,150,235
Cash and cash equivalents at end of year	<u>\$ 737,295</u>	<u>\$ 780,690</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	<u>\$ 19,743</u>	<u>\$ 33,685</u>
Supplemental disclosures of non-cash investing and financing activities		
Donated property and equipment	<u>\$ -</u>	<u>\$ 5,960</u>
PPP loan forgiveness	<u>\$ -</u>	<u>\$ 287,500</u>

The accompanying notes are an integral part of these consolidated financial statements.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

1. Nature of Business

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 2007, the Board of Directors voted to serve Manchester-by-the-Sea in addition to Beverly. 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. In 2021, the Board of Directors voted to serve Essex, Hamilton, and Wenham, making the organization a regional non-profit. 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 and sadly dismantled the failed business in 2022. A total of 13 Board members, 52 staff members, 1 contractor and over 500 volunteers made the work of the Organization possible in FY22.

Food Assistance

Beverly Bootstraps addresses hunger through its food assistance programs, which provide emergency food to those in need. In January 2021, the Food Pantry moved to weekly distributions for all clients with the pantry opened for 22 hours each week during shifts Monday through Thursday. That, coupled with inflation driven food price increases, drove the number of annual visits up to 9,918, a 29% increase over FY21. In FY22, the Food Assistance programs combined distributed 529,982 pounds of food, valued at \$922,168 to 2,467 individuals (1,400 households). Additionally, senior bags were delivered to an estimated 575 seniors consistently through FY21 and 5,893 Weekend Food bags were delivered to school children. Thanksgiving meal ingredients were distributed to 422 households.

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

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 FY22 case managers handled cases for 876 individuals (387 households) and distributed \$68,583 directly for client betterment. Importantly, case managers leveraged over \$64,530 from other community funds for clients. 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 Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

1. Nature of Business...continued

Client Support...continued

Beverly Bootstraps ran one of the few free Tax Preparation Programs on the North Shore in FY22 and FY21 and served communities representing the Northshore. In FY 22, refunds to the 372 filed returns totaled \$813,911, of which \$196,843 was through Earned Income Tax Credit funds. In FY21, refunds to the 329 filed returns totaled \$662,504, of which \$146,974 was through Earned Income Tax Credit funds.

Adult Education

Adult classes include HiSET Test Preparation (High School Equivalency Exam), ESOL (English Speakers of Other Language Classes), and College and Career Readiness. HiSET resumed in FY 21 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.

The HSE program continued in FY22 with many students studying virtually. While only 15 students regularly studied, 80 out of 82 individual tests were passed and 12 students completed all 5 subject exams to receive their HiSET equivalency certificate. ESOL students had a more challenging time with the virtual platform and in the Spring of 2022, staff devised ways to safely bring them back to the classroom and 30 students were studying regularly at the end of the fiscal year.

Youth & Family

In FY22, 716 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 724 children.

In 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.

Thrift Shop

The Organization runs a retail Thrift Shop and relies on merchandise donations to sustain an inventory of high-quality, used clothing and household items. The thrift shop is a local community resource that provides shoppers with merchandise at discounted prices and donors the opportunity to recycle items. Clients may receive vouchers for free merchandise. In FY22 and FY21, due to the pandemic, the voucher program was put on hiatus. Staff gave some clothing and goods directly to people who needed them.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

1. Nature of Business...continued

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 dismantle the business and did so in May of 2022.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) to ensure the consolidated statements of financial position, and the related consolidated statements of activities, functional expenses, and cash flows are consistently reported. References to GAAP issued by the FASB in these notes are to the FASB Accounting Standards Codification (ASC).

Basis of Accounting

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting. A summary of the significant accounting policies applied in the preparation of the consolidated financial statements follows.

Basis of Consolidation

These consolidated 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 and dissolved on May 4, 2022. All significant balances and transactions between the two entities have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

2. Summary of Significant Accounting Policies...continued

Financial Statement Presentation

Consolidated financial statement presentation follows FASB ASC Topic No. 958, *Not-for-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets without restrictions include amounts available for use in general operations and not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for specific operational purposes from time to time.

With Donor Restrictions

Net assets with restrictions include amounts resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations. Some stipulations are temporary in nature that expire with the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. If the stipulation is fulfilled in the same time period in which the contribution is received, the contribution is reported as having no restrictions in the year received. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid financial instruments with original maturities of three months or less, when purchased, to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are stated at unpaid balances, net of an allowance for doubtful accounts. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution in accordance with donor-imposed stipulations, if any, on the contribution. Contributions receivable outstanding at June 30, 2022 and 2021, are expected to be collected over the next year. On a periodic basis, the Organization evaluates its grants and contributions receivable and establishes an allowance based on an assessment of the history of collections and current economic conditions. Receivables are considered past due if full payments are not received in accordance with contractual terms. Grants and contributions receivable are charged to the allowance for bad debt when management determines the receivable is uncollectible. At June 30, 2022 and 2021, the Organization had determined grants and contributions receivable to be fully collectible. Accordingly, no allowance for doubtful accounts was required. The Organization does not charge interest on outstanding receivables.

Inventory – Thrift Shop

Inventory consists of donated goods, primarily clothing, furniture and other household goods, ready for sale in the Organization's thrift shop and is valued at estimated fair value. The methodology for determining fair value follows the retail method of accounting for inventory whereby ending inventory represents the present value of future cash flows, or the future selling price, reduced to a cost basis using the average margin on sales of goods. Prior to reaching the point of sale, donated inventory is valued at zero. Contributions of donated merchandise were valued at \$539,473 and \$477,534 for the years ended June 30, 2022 and 2021, respectively.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

2. Summary of Significant Accounting Policies...continued

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging between 3 and 40 years. The Organization's policy is to capitalize expenditures for property and equipment purchased in excess of \$1,200 with an estimated useful life of greater than one year. Expenditures for repairs and maintenance are charged to expense as incurred, while expenditures which significantly increase values or extend useful lives are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are eliminated from the accounts and the gain or loss thereon is reflected in the consolidated statements of activities.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at fair values in the consolidated statements of financial position. Investment income or loss, which consists of interest and dividend income, realized gains and losses, and unrealized gains and losses on those investments, less external and direct internal investment expenses is included in revenue and support in the consolidated statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements

The Organization discloses the fair value of investments (see Note 6) in accordance with FASB ASC Topic No. 820, *Fair Value Measurements* (ASC 820). The framework under ASC 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value unless the net asset value (NAV) is used as the method of valuation. NAV is considered a practical expedient for the net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

The three levels of the fair value hierarchy under ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level (but for those measured using NAV) within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

2. Summary of Significant Accounting Policies...continued

Valuation Techniques

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

Certificates of Deposit

Certificates of deposit are valued at amortized cost plus accrued interest, which approximates fair value, and are classified as Level 2.

Investments in Essex County Community Foundation Reserve Fund

The Organization has funds managed with Essex County Community Foundation Reserve Fund (ECCF) in an Environment, Social and Governance pool. ECCF invests in diversified assets including fixed income, equity securities and money market fund investments. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV and management has no intentions or plans to liquidate its investment at lower than the NAV.

Compensated Absences

The Organization accrues for the costs of compensated absences to the extent that the employee's right to receive payment relates to service already rendered, the obligation vests or accumulates, payment is probable, and the amount can be reasonably estimated. The Organization's policy related to compensated absences vary by jurisdiction, and obligations are recorded net of estimated forfeiture due to turnover when reasonably predictable.

PPP Loan

The Organization follows FASB ASC Topic No. 470, *Debt* (ASC 470) for the PPP Loan. Under ASC 470, the PPP Loan is recognized as a financial liability and accrues interest in accordance with the interest method under FASB ASC 835-30, *Imputation of Interest* (ASC 835-30). However, the Organization will not impute additional interest at a market rate because loans by governmental agencies are excluded from the guidance on imputing interest. In accordance with FASB ASC No. 405-20-40-1, *Derecognition of Liabilities*, the PPP Loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been "legally released" or (2) the Organization pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the liability will be reduced by the amount forgiven and a gain on extinguishment will be recorded.

Revenue Recognition

Thrift Store Sales, Client Services and Food Truck Sales

The Organization applies the provisions of FASB ASC Topic No. 606-10, *Revenue from Contracts with Customers*, and all related appropriate guidance. The Organization recognizes revenue under the core principle of this guidance to depict the transfer of promised goods or services to the Organization's customers in an amount reflecting the consideration the Organization expects to be entitled in exchange for those products or services. In order to achieve this principal, revenues are recognized based upon a five-step model, which involves: (1) identifying contracts with customers, (2) identifying performance obligations within those contracts, (3) determining the transaction price, (4) allocating the transaction price to the performance obligations, and (5) recognizing revenue upon satisfaction of those performance obligations. The Organization's revenue is recognized upon satisfaction of performance obligations (see Note 12).

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

2. Summary of Significant Accounting Policies... continued

Revenue Recognition...continued

Grants and Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received, pledged, or notification of a beneficial interest is received. Conditional promises to give, which are those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of property and equipment and other long-lived assets are also reported as revenue and net assets without donor restrictions, unless subject to time restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions result in reclassification of net assets with donor restrictions as net assets without donor restrictions when the long-lived assets are placed in service.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions depending upon the condition(s) stipulated by the donor. 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 are reported in the statements of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution or grant is received, the contribution is reported as without donor restriction in the year received.

In-Kind Contributions

In-kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used (see Note 13)

The Organization recognizes the estimated fair value of contributed services if such services meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not contributed.

Many individuals volunteered their time and performed a variety of tasks to assist the Organization in carrying out its mission during the years ended June 30, 2022 and 2021. These services do not meet the recognition criteria for contributed services. Accordingly, a value for these services has not been reflected in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

2. Summary of Significant Accounting Policies... continued

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated 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.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Other personnel costs	Time and effort
Fringe benefits	Time and effort
Occupancy costs	Square footage/Usage
Equipment rental	Square footage/Usage

Income Taxes

The Organization is a nonprofit organization, which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and as a public charity according to Section 509(a)(2) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been recorded in the accompanying consolidated financial statements.

The Organization accounts for the uncertainty in income taxes in accordance with FASB ASC Topic No. 740, *Income Taxes* (ASC 740), which prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements.

When necessary, the Organization accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. The Organization does not expect that unrecognized tax benefits arising from tax positions will change significantly within the next 12 months.

Reclassification

Prior period consolidated financial statement amounts have been reclassified to conform to current period presentation. Change in net assets and total net assets were not affected by the reclassifications.

Recently Adopted Accounting Pronouncement

During the year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosure by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the consolidated financial statements, with the exception of increased disclosure.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

3. Liquidity and Availability

Financial assets available for general expenditures within one year of the consolidated statements of financial position date at June 30, consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 498,001	\$ 492,486
Grants and contributions receivable, net	<u>256,281</u>	<u>19,074</u>
	754,282	511,560
Less: net assets with donor restrictions	<u>(129,438)</u>	<u>(61,574)</u>
Financial assets available for general expenditures within one year	<u>\$ 624,844</u>	<u>\$ 449,986</u>

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 and total \$752,158 and \$839,788 at June 30, 2022 and 2021 respectively, and consist of cash and cash equivalents and investments. 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 (see Note 7).

4. Conditional Promises to Give

During the year ended June 30, 2022, the Organization received a grant of \$50,000 which included conditional promises to give of \$50,000 annually for the next nine years, or \$450,000 total additional funding. Since this grant represents a conditional promise to give, the potential grant proceeds in future years are not recorded in contribution revenue and contribution receivables until the conditions are met.

5. Property and Equipment

Property and equipment at June 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Land, building and improvements	\$3,659,638	\$3,589,629
Office and program equipment	327,888	301,600
Software	76,905	76,905
Motor vehicles	166,536	233,436
Leasehold improvements	<u>2,346</u>	<u>2,346</u>
Total	4,233,313	4,203,916
Less: accumulated depreciation	<u>(934,768)</u>	<u>(812,301)</u>
Property and equipment, net	<u>\$3,298,545</u>	<u>\$3,391,615</u>

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

6. Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at fair value:				
Certificates of deposit	\$ -	\$ 303,200	\$ -	\$ 303,200
Total	<u>\$ -</u>	<u>\$ 303,200</u>	<u>\$ -</u>	<u>303,200</u>
Investments measured at NAV				<u>209,664</u>
Total investments at fair value				<u>\$ 512,864</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at fair value:				
Certificates of deposit	\$ -	\$ 301,688	\$ -	\$ 301,688
Total	<u>\$ -</u>	<u>\$ 301,688</u>	<u>\$ -</u>	<u>301,688</u>
Investments measured at NAV				<u>249,896</u>
Total investments at fair value				<u>\$ 551,584</u>

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient at June 30, 2022 and 2021 were valued at \$209,664 and \$249,896, respectively, and there were no unfunded commitments.

The following table summarizes the changes in the carrying value associated with NAV financial instruments carried at fair value during the year ended June 30, 2022:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 249,896	\$ -
Investment in fund	-	250,000
Loss on investments	(43,022)	(26)
Interest and dividends reinvested	4,603	-
Investment expenses	<u>(1,813)</u>	<u>(78)</u>
Balance at end of year	<u>\$ 209,664</u>	<u>\$ 249,896</u>

Investment income for the year ended June 30, 2022 consisted of realized and unrealized net losses on investments of \$43,022 and interest income of \$6,457. Investment income for the year ended June 30, 2021 consisted of realized and unrealized net losses on investments of \$26 and interest income of \$5,828.

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.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

6. Investments...continued

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%

7. Line of Credit

The Organization has a line of credit of \$400,000 with a local bank. There was no outstanding balance at June 30, 2022 and 2021. The line of credit carries interest at the higher of the prime rate or 4.25%. The rate was 4.75% at June 30, 2022. This line of credit is secured by a second mortgage on the Organization's operating facility and is cross-collateralized with the mortgage payable.

8. PPP Loan

On April 15, 2020, the Organization received loan proceeds in the amount of \$287,500 made to the Organization pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). The proceeds can be used to maintain payroll or make certain covered interest payments, lease payments, utility payments, and certain other covered operating expenses. Under the terms of the CARES Act, the Organization can be granted forgiveness for all or a portion of the PPP loan, with such forgiveness to be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of certain covered interest, lease and utility payments. The PPP Loan was fully forgiven on January 25, 2021 and was included in revenue and support on the consolidated statement of activities for the year ended June 30, 2021.

9. Long-term Debt

Long-term debt at June 30, 2022 and 2021 consisted of the following:

	2022	2021
<i>Note Payable - SBA</i>		
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 were required for the first year of the loan. Monthly principal and interest payments of \$641 commenced on July 2, 2021.	\$ 148,077	\$ 150,000
Less: current portion	(3,600)	(3,900)
Note payable - SBA, net of current portion	<u>144,477</u>	<u>146,100</u>

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

9. Long-term Debt...continued

	<u>2022</u>	<u>2021</u>
<i>Mortgage Payable</i>		
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 line of credit. Additional collateral for this mortgage is the assignment of leases and rents of the property. The mortgage contains various financial and non-financial covenants.	399,915	407,955
Less: unamortized debt issuance costs	<u>(8,589)</u>	<u>(10,172)</u>
Mortgage payable, net of unamortized issuance costs	391,326	397,783
Less: current portion	<u>(8,900)</u>	<u>(8,400)</u>
Mortgage payable, net of current portion	<u>382,426</u>	<u>389,383</u>
Long-term debt, net of current portion and unamortized debt issuance costs	<u>\$ 526,903</u>	<u>\$ 535,483</u>

The aggregate maturities of long-term debt, excluding unamortized debt issuance costs, for the years ending June 30th are as follows:

2023	\$ 12,500
2024	13,000
2025	13,500
2026	14,000
2027	14,500
Thereafter	<u>480,492</u>
	<u>\$ 547,992</u>

10. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the purposes or timing as follows:

	<u>2022</u>	<u>2021</u>
Case Management	\$ 50,000	\$ 17,500
Food Assistance	79,438	-
Youth and Family Programs	-	25,000
Timing restrictions	-	19,074
Total net assets with donor restrictions	<u>\$ 129,438</u>	<u>\$ 61,574</u>

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

10. Net Assets with Donor Restrictions...continued

During the year ended June 30, 2022, net assets released from restriction totaled \$61,574 of which \$17,500 and \$25,000 were released from purpose restrictions of case management and youth and family programs, respectively, and \$19,074 was released for timing restrictions. During the year ended June 30, 2021, net assets released from restriction totaled \$44,677 of which \$29,527 were released from various purpose restrictions and \$15,150 was released for timing restrictions.

11. Board Designated Net Assets

As a component of its net assets without donor restrictions, the Organization has Board-designated reserve funds whose use is limited to funding initiatives, managing cash flow interruptions, minimizing the need to borrow funds, meeting commitments and functioning as an internal line of credit. The Board has established a target amount of maintaining thirty-three (33%) percent to fifty (50%) percent of the Organization's annual budgeted operating expenses, or about three (3) to six (6) months of expenses on average.

The Board of Directors designated a \$400,000 Operating Reserve Fund (the "Fund") by vote. The general purpose of the Fund is to help to ensure the Organization's long-term financial stability, and position it to respond to varying economic conditions and changes affecting its financial position. In addition, the Board had designated \$40,000 for a capital replacement reserve. During FY16, the board appropriated \$37,035 of the operating reserve for cash flow purposes. The Fund balance includes cumulative investment income of \$31,022. During FY 20, the board designated \$400,000 to be used for expenses incurred in serving the community in response to the pandemic.

The Executive Director may access up to \$25,000 from the Fund as a revolving line of credit, provided that, in the determination of the Executive Director, sufficient accounts or grants receivable are reasonably certain to be available to repay such usage within ninety (90) calendar days. Any funds borrowed from the Fund greater than \$25,000 or for longer than ninety (90) calendar days will be paid back through a prescribed repayment schedule. Approval of any such usage and the proposed repayment schedule shall be requested by the Executive Director from the finance committee for review, deliberation, and recommendation to the board for further deliberation and vote.

Fund activity for the years ended June 30, 2022 and 2021 follows:

	Operating Reserve	Capital Reserve	COVID Reserve	Total Board Designated
Reserve balances, July 1, 2020	\$389,074	\$44,912	\$400,000	\$ 833,986
Board appropriation/(designation)	-	-	-	-
Investment return	2,707	312	2,783	5,802
Reserve balances, June 30, 2021	391,781	45,224	402,783	839,788
Board appropriation/(designation)	(41,985)	(4,846)	(43,164)	(89,995)
Investment return	1,104	127	1,134	2,365
Reserve balances, June 30, 2022	<u>\$350,900</u>	<u>\$40,505</u>	<u>\$360,753</u>	<u>\$ 752,158</u>

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

12. Revenue from Contracts with Customers

The Organization's revenue from contracts with customers consists of the sale of goods in the Organization's thrift shop and food truck as well as other client services, which are recognized at a point in time. Revenue from contracts with customers totaled \$850,727 and \$808,273 for the years ended June 30, 2022 and 2021, respectively. There were no outstanding receivables, contract assets or contract liabilities at July 1, 2020, June 30, 2021 or June 30, 2022.

Description of the Organization's Performance Obligations with Customers

The Organization typically satisfies performance obligations at the point in time in which the control of products is transferred, or services are delivered. Payments are typically due at the point of sale.

13. Contributions, In-Kind

Donated food and other goods for the years ended Jun 30, 2022 and 2021 included in contributions, in-kind on the accompanying consolidated statements of activities were as follows:

	2022	2021
Food and other supplies	\$ 993,407	\$ 971,628
Clothing, furniture and other household goods	539,473	477,534
	<u>\$ 1,532,880</u>	<u>\$ 1,449,162</u>

Food and other supplies

Contributions of food to the Organization's food assistance program are recorded as contributions and as program expenses at the estimated fair value based upon weight. Food donations were valued between \$1.74 and \$1.72 per pound for the years ended June 30, 2022 and 2021, as determined by the Feeding America National Network of Food Banks. Other in-kind donations consist of various supplies, gift cards, property and equipment, and other program related items. Other in-kind contributions are valued their estimated fair value and recorded as in-kind contributions and program expense. Fair value is estimated is based upon replacement cost of the donated goods based upon information from third party vendors.

Clothing, furniture and other household goods

Contributions of clothing, furniture and other household goods to the Organization's thrift shop are recorded at estimated fair value upon when such goods are made available for sale. Prior to reaching the point of salability, the goods are valued at zero. Estimated fair value is determined using the retail method of accounting which estimates fair value using the present value of expected future cash flows, or the future selling price, reduced to a cost basis using the average margin on sales of goods.

14. Employee Benefit Plan

The Organization has a defined contribution salary deferral plan, which covers substantially all employees. Under the plan, the Organization matches each eligible employee's elective deferrals up to 5% of compensation. Employer contributions to the plan for the years ended June 30, 2022 and 2021 were \$33,257 and \$33,762, respectively.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

15. Concentration of Credit Risk

Financial instruments that potentially expose the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and grants and contributions receivable.

The Organization maintains their cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants and contributions receivable consisted of balances due from three and two funding sources representing 72% and 100% of the total balance outstanding at June 30, 2022 and 2021, respectively.

16. 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, 2022 and 2021, total rental expense under these lease agreements amounted to approximately \$6,010 and \$6,965, respectively.

Future minimum rental commitments due on these leases for the years ended June 30th are as follows:

2023	\$ 4,040
2024	<u>3,634</u>
	<u><u>\$ 7,674</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 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.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

17. Restatement

During a review of prior year amounts, the Organization noted that a certificate of deposit was incorrectly grouped as cash rather than investments. These financial statements have been restated to reclassify \$301,688 from cash and cash equivalents to investments. Furthermore, in-kind contribution revenue and program expenses were increased by \$477,534 to account for the fair value of donated goods which were sold in the Organization's thrift shop. Lastly, the presentation of the Organization's investment in the Essex County Community Foundation Reserve Fund was restated from Level 2 to investments measured at NAV, however, the valuation of the investment did not change. The 2021 net assets and change in net assets were not impacted by the restatements described above.

18. Coronavirus 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 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. 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. To preserve cash flow, the organization took an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$150,000. 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.

In FY22, the effects of the pandemic were still being realized by the organization. Workers were still remote much of the time and programming was still rebounding. In-person visits returned to the Food Pantry in the summer of 2021 and in-person learning returned in the Spring of 2022. Leadership created masking and distancing policies around the Massachusetts Water Resources Authority's COVID wastewater data and the majority of the year was spent in masks. While volunteers returned, they did so in smaller numbers and the space needed to employ their help increased due to distancing efforts.

The COVID-19 outbreak in the United States and the world has resulted in economic uncertainties that are likely to negatively impact the future financial results of operations, realization of assets, and cash flows. This situation could have a significant adverse effect on the future financial statements and management is unable to quantify the potential impact at this time.

Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2022 and 2021 (restated)

19. Subsequent Events

The Organization has evaluated subsequent events for potential disclosure or recognition through December 16, 2022, the date the consolidated financial statements were available to be issued.