



Consolidated Financial Statements  
For the Years Ended  
June 30, 2023 and 2022

# **Beverly Bootstraps Community Services, Inc.**

Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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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 statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2023 and 2022, 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.

### **Basis for Opinion**

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

### **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  
November 29, 2023

# Beverly Bootstraps Community Services, Inc.

Consolidated Statements of Financial Position

June 30, 2023 and 2022

<b>Assets</b>	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 443,191	\$ 498,001
Cash and cash equivalents - board designated	144,728	239,294
Total cash and cash equivalents	<u>587,919</u>	<u>737,295</u>
Certificate of deposit - board designated	307,746	303,200
Grants and contributions receivable	206,779	256,281
Inventory - thrift shop	64,184	45,252
Prepaid expenses and other current assets	27,202	43,993
Total current assets	<u>1,193,830</u>	<u>1,386,021</u>
Property and equipment, net	<u>3,332,642</u>	<u>3,298,545</u>
Other assets:		
Beneficial interest in assets held by community foundation - board designated	229,761	209,664
Total other assets	<u>229,761</u>	<u>209,664</u>
Total assets	<u>\$ 4,756,233</u>	<u>\$ 4,894,230</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Current portion of note payable - SBA	\$ 3,600	\$ 3,600
Current portion of mortgage payable	9,267	8,900
Accounts payable and other current liabilities	180,377	255,703
Total current liabilities	<u>193,244</u>	<u>268,203</u>
Long-term liabilities:		
Note payable - SBA, net of current portion	140,631	144,477
Mortgage payable, net of current portion	374,543	382,426
Total long term liabilities	<u>515,174</u>	<u>526,903</u>
Total liabilities	<u>708,418</u>	<u>795,106</u>
Net assets:		
Without donor restrictions		
Undesignated	296,748	310,309
Board designated	682,235	752,158
Invested in property and equipment, net of related debt	2,948,832	2,907,219
Total without donor restrictions	<u>3,927,815</u>	<u>3,969,686</u>
With donor restrictions	120,000	129,438
Total net assets	<u>4,047,815</u>	<u>4,099,124</u>
Total liabilities and net assets	<u>\$ 4,756,233</u>	<u>\$ 4,894,230</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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue:</b>						
Contributions and grants	\$ 1,935,214	\$ 120,000	\$ 2,055,214	\$ 1,704,958	\$ 129,438	\$ 1,834,396
Contributions, in-kind	1,727,044	-	1,727,044	1,532,880	-	1,532,880
Thrift shop sales	936,171	-	936,171	829,612	-	829,612
Investment income (loss), net	24,887	-	24,887	(36,565)	-	(36,565)
Government grants	89,833	-	89,833	75,000	-	75,000
Client services	-	-	-	21,115	-	21,115
Gain on sale of vehicle	-	-	-	10,981	-	10,981
Net assets released from restriction	129,438	(129,438)	-	61,574	(61,574)	-
Total support and revenue	<u>4,842,587</u>	<u>(9,438)</u>	<u>4,833,149</u>	<u>4,199,555</u>	<u>67,864</u>	<u>4,267,419</u>
<b>Expenses:</b>						
Program services:						
Program services	2,463,211	-	2,463,211	2,170,932	-	2,170,932
Program services - in kind	1,706,740	-	1,706,740	1,484,680	-	1,484,680
Total program services	<u>4,169,951</u>	<u>-</u>	<u>4,169,951</u>	<u>3,655,612</u>	<u>-</u>	<u>3,655,612</u>
Management and general	268,867	-	268,867	198,521	-	198,521
Fundraising	445,640	-	445,640	401,447	-	401,447
Total expenses	<u>4,884,458</u>	<u>-</u>	<u>4,884,458</u>	<u>4,255,580</u>	<u>-</u>	<u>4,255,580</u>
Change in net assets	(41,871)	(9,438)	(51,309)	(56,025)	67,864	11,839
Net assets at beginning 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>
Net assets at end of year	<u>\$ 3,927,815</u>	<u>\$ 120,000</u>	<u>\$ 4,047,815</u>	<u>\$ 3,969,686</u>	<u>\$ 129,438</u>	<u>\$ 4,099,124</u>

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

# Beverly Bootstraps Community Services, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services					Supporting Services			
	Food Assistance	Client Support	Adult Education	Youth & Family	Thrift Shop	Total Program	Management and General	Fundraising	Total
Client betterment	\$ 117,800	\$ 105,611	\$ 7,972	\$ 59,507	\$ -	\$ 290,890	\$ -	\$ -	\$ 290,890
Client betterment - in kind	770,985	41,308	239	286,353	900	1,099,785	-	-	1,099,785
Total client betterment	<u>888,785</u>	<u>146,919</u>	<u>8,211</u>	<u>345,860</u>	<u>900</u>	<u>1,390,675</u>	<u>-</u>	<u>-</u>	<u>1,390,675</u>
Salaries and wages	323,202	238,516	157,936	93,073	584,311	1,397,038	114,957	233,004	1,744,999
Other personnel costs	43,573	30,866	20,862	12,361	78,292	185,954	18,040	31,372	235,366
Fringe benefits	30,182	21,921	14,477	11,262	49,156	126,998	11,696	21,483	160,177
Total personnel costs	<u>396,957</u>	<u>291,303</u>	<u>193,275</u>	<u>116,696</u>	<u>711,759</u>	<u>1,709,990</u>	<u>144,693</u>	<u>285,859</u>	<u>2,140,542</u>
Depreciation	26,769	9,976	15,340	15,240	56,486	123,811	15,796	13,383	152,990
Repairs and maintenance	17,195	2,814	13,334	4,330	26,668	64,341	7,692	2,814	74,847
Utilities	7,315	2,717	4,180	4,180	15,466	33,858	16,073	2,717	52,648
Insurance	7,866	2,922	4,495	4,495	16,631	36,409	2,263	2,922	41,594
Interest expense	2,995	1,113	1,712	1,712	6,333	13,865	7,579	1,113	22,557
Total occupancy costs	<u>62,140</u>	<u>19,542</u>	<u>39,061</u>	<u>29,957</u>	<u>121,584</u>	<u>272,284</u>	<u>49,403</u>	<u>22,949</u>	<u>344,636</u>
Cost of goods sold - in kind	-	-	-	-	606,955	606,955	-	-	606,955
Program and office supplies	26,635	8,565	6,895	8,427	30,877	81,399	16,505	39,746	137,650
Bank and credit card fees	-	-	-	-	31,874	31,874	1,864	10,055	43,793
Equipment rental	12,545	1,596	3,399	2,379	10,500	30,419	6,763	1,596	38,778
Special events and fundraising	-	-	1,275	-	-	1,275	-	30,747	32,022
Professional fees	-	-	-	-	-	-	31,255	-	31,255
Conferences, education and travel	6,118	1,849	1,894	1,928	3,250	15,039	10,921	3,931	29,891
Marketing	642	-	60	295	6,740	7,737	2,948	16,580	27,265
Telephone	2,820	996	2,228	1,532	5,667	13,243	2,223	996	16,462
Newsletters and publications	-	-	-	-	-	-	-	14,964	14,964
Contract labor	-	-	-	-	-	-	-	14,849	14,849
Appreciation	1,907	928	1,404	999	3,823	9,061	2,292	3,368	14,721
Total other expenses	<u>50,667</u>	<u>13,934</u>	<u>17,155</u>	<u>15,560</u>	<u>699,686</u>	<u>797,002</u>	<u>74,771</u>	<u>136,832</u>	<u>1,008,605</u>
Total functional expenses	<u>\$ 1,398,549</u>	<u>\$ 471,698</u>	<u>\$ 257,702</u>	<u>\$ 508,073</u>	<u>\$ 1,533,929</u>	<u>\$ 4,169,951</u>	<u>\$ 268,867</u>	<u>\$ 445,640</u>	<u>\$ 4,884,458</u>

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

# Beverly Bootstraps Community Services, Inc.

Consolidated Statement 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	<u>804,619</u>	<u>89,454</u>	<u>3,458</u>	<u>253,222</u>	<u>2,344</u>	<u>845</u>	<u>1,153,942</u>	<u>-</u>	<u>-</u>	<u>1,153,942</u>
Salaries and wages	291,429	254,689	127,344	47,790	590,726	-	1,311,978	58,759	221,067	1,591,804
Other personnel costs	38,828	27,724	16,711	8,355	71,108	-	162,726	8,153	38,032	208,911
Fringe benefits	26,611	22,724	11,847	9,544	48,635	-	119,361	12,580	27,101	159,042
Total personnel costs	<u>356,868</u>	<u>305,137</u>	<u>155,902</u>	<u>65,689</u>	<u>710,469</u>	<u>-</u>	<u>1,594,065</u>	<u>79,492</u>	<u>286,200</u>	<u>1,959,757</u>
Depreciation	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
Insurance	8,073	2,998	4,613	4,613	17,068	-	37,365	9,180	4,013	50,558
Utilities	7,458	2,770	4,262	4,262	15,769	-	34,521	6,046	2,052	42,619
Interest expense	4,383	1,628	2,505	2,505	9,267	-	20,288	2,981	2,179	25,448
Total occupancy costs	<u>45,869</u>	<u>20,078</u>	<u>40,218</u>	<u>30,650</u>	<u>133,634</u>	<u>-</u>	<u>270,449</u>	<u>37,823</u>	<u>24,616</u>	<u>332,888</u>
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
Professional fees	6,223	2,090	3,219	3,219	11,913	850	27,514	8,266	2,806	38,586
Marketing	85	-	-	-	2,166	-	2,251	15,951	17,780	35,982
Special events and fundraising -	-	-	-	-	-	-	-	-	26,625	26,625
Equipment rental	7,805	837	4,133	1,072	7,694	-	21,541	3,012	1,384	25,937
Bank and credit card fees	-	-	-	-	3,945	-	3,945	1,248	11,374	16,567
Telephone	2,693	949	2,279	1,492	5,424	-	12,837	1,994	1,271	16,102
Newsletters and publications	-	-	-	-	-	-	-	14,097	-	14,097
Conferences, education and travel	4,619	167	167	167	1,471	-	6,591	5,725	335	12,651
Contract labor	-	-	-	-	-	-	-	-	9,785	9,785
Appreciation	860	437	475	666	1,527	-	3,965	3,112	750	7,827
Total other expenses	<u>40,419</u>	<u>9,492</u>	<u>21,996</u>	<u>11,476</u>	<u>552,798</u>	<u>975</u>	<u>637,156</u>	<u>81,206</u>	<u>90,631</u>	<u>808,993</u>
Total functional expenses	<u>\$ 1,247,775</u>	<u>\$ 424,161</u>	<u>\$ 221,574</u>	<u>\$ 361,037</u>	<u>\$ 1,399,245</u>	<u>\$ 1,820</u>	<u>\$ 3,655,612</u>	<u>\$ 198,521</u>	<u>\$ 401,447</u>	<u>\$ 4,255,580</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (51,309)	\$ 11,839
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Interest reinvested in certificate of deposit	(4,546)	(1,512)
In-kind contribution of inventory, net	(18,932)	(40,815)
Depreciation	152,990	134,646
Gain on sale of vehicle	-	(10,981)
Unrealized and realized loss (gain) on investments	(20,097)	40,232
Amortization of debt issuance costs	1,583	1,583
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contributions receivable	49,502	(237,207)
Prepaid expenses and other current assets	16,791	7,491
Increase in:		
Accounts payable and other current liabilities	(75,326)	91,887
Net cash provided by (used in) operating activities	<u>50,656</u>	<u>(2,837)</u>
Cash flows from investing activities:		
Proceeds from redemption of certificate of deposit	304,007	302,818
Purchases of certificate of deposit	(304,007)	(302,818)
Proceeds from sale of vehicle	-	55,000
Purchases of property and equipment	(187,087)	(85,595)
Net cash used in investing activities	<u>(187,087)</u>	<u>(30,595)</u>
Cash flows from financing activities:		
Repayments of note payable - SBA	(3,846)	(1,923)
Repayments of mortgage payable	(9,099)	(8,040)
Net cash used in financing activities	<u>(12,945)</u>	<u>(9,963)</u>
Net change in cash and cash equivalents	(149,376)	(43,395)
Cash and cash equivalents at beginning of year	737,295	780,690
Cash and cash equivalents at end of year	<u>\$ 587,919</u>	<u>\$ 737,295</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for:		
Interest	<u>\$ 16,505</u>	<u>\$ 19,743</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, 2023 and 2022

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## **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. A total of 13 Board members, 10 Advisors to the Board, 53 staff members, 1 contractor and over 500 volunteers made the work of the Organization possible in FY23.

### ***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 and untenable housing costs has resulted in the most annual visits ever experienced by the Organization: Visits to the food pantry alone increased to 14,591, a 47% increase over FY22. All of the Food Assistance programs combined distributed 613,064 pounds of food to 3,428 individuals (1,825 households). Additionally, 1,950 senior bags were distributed through a partnership with the Beverly Council on Aging. To support children who are at risk of food insecurity over the weekends and school vacations, 9,704 Weekend Food bags were delivered to school children. Thanksgiving meal ingredients were distributed to 100 more households than last year for a total of 525 meals. To add accessibility, the organization launched its new program: Refrigerated Food Lockers in April of 2023. During the few months it operated, almost 100 people had already benefited from this new distribution model.

In FY22, the Food Assistance programs combined distributed 529,982 pounds of food to 2,467 individuals (1,400 households). Additionally, senior bags were delivered to an estimated 575 seniors and 5,893 Weekend Food bags were delivered to school children. Thanksgiving meal ingredients were distributed to 422 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 FY23 case managers experienced an increase in requests for assistance and the amounts of cases were higher. Case managers handled cases for 1,210 individuals. These people were from 512 households. The team distributed funds directly from the agency for client betterment and case managers leveraged community funds for clients as well. Additionally, Beverly Bootstraps ran one of the few free Tax Preparation Programs on the North Shore in FY23 and served communities representing the Northshore. The Organization prepared 425 tax returns in FY23.

# **Beverly Bootstraps Community Services, Inc.**

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## **1. Nature of Business...continued**

In FY22, case managers handled cases for 876 individuals (387 households) and distributed funds directly for client betterment and leveraged other community funds for clients as well. In FY22, the Organization prepared 372 tax returns.

### ***Adult Education***

Adult Education includes High School Equivalency (HSE) HiSET Test Preparation, English Speakers of Other Language (ESOL), and College and Career Readiness (CCR). The HSE program continued in FY23 with many students studying virtually and some back in person with their tutor. There were 29 students regularly studying, passing 80 out of 92 individual tests. 11 students completed all 5 subject exams to receive their HiSET equivalency certificate. ESOL students returned to classes and 78 students studied regularly clocking 4,227 hours learned over the course of the year. While there were only a few students who took advantage of the College and Career Readiness services, those students successfully enrolled in college courses and trade programs.

In FY 22, while only 15 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 at the end of the fiscal year.

### ***Youth & Family***

In FY23, 750 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 748 children.

### ***Thrift Shop***

Beverly Bootstraps 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 FY23, 208 vouchers were written. In FY22, the voucher program was put on hiatus.

### ***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.

The quantitative nonfinancial amounts disclosed above, such as pounds distributed, number of clients served, etc., is unaudited.

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## 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.

### *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 consolidated 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.

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## 2. Summary of Significant Accounting Policies...continued

### *Certificates of Deposit*

The Organization invests in certificates of deposit (CDs) that are not traded in the financial markets. Accordingly, the CDs are valued at the original cost plus accrued interest, which approximates fair value. Interest income is included in other income on the consolidated statements of activities. Certificates of deposit with original maturities of three months or less when purchased are included in cash and cash equivalents. At June 30, 2023, the Organization had one certificate of deposit with a fixed interest rate of 3.06% and a 7-month term maturing in August 2023. At June 30, 2022, the Organization had one certificate of deposit with a fixed interest of 0.50% and a 9-month term which matured in December 2022.

### *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, 2023 and 2022, 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, 2023 and 2022, 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 its 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 \$612,767 and \$539,474 for the years ended June 30, 2023 and 2022, respectively.

### *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.

## Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies...continued

#### *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.

#### *Fair Value Measurements...continued*

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, 2023 and 2022

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## 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, 2023.

#### *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 fund is reported at fair value in the consolidated statements of financial position, with distributions and changes in fair value recognized in the consolidated statements of activities.

The fair value of our interest held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

### *Leases*

Effective January 1, 2022, the Organization accounts for leases under FASB ASC Topic No. 842, *Leases* (ASC 842), which establishes a right-of-use model for lessee accounting, resulting in the recognition of most leased assets and lease liabilities on the consolidated statements of financial position of the lessee. The Organization assesses whether an agreement contains a lease at inception. All leases are reviewed for finance or operating classification once control is obtained. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position.

### *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.

### *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 (see Note 11).

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## 2. Summary of Significant Accounting Policies...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 12).

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, 2023 and 2022. 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, 2023 and 2022

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## 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 Pronouncements*

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases* (ASC 842), which establishes a right-of-use model for lessee accounting that results in the recognition of most leased assets and lease liabilities on the consolidated statement of financial position of the lessee. The ASU is effective for annual periods beginning after December 15, 2021, by applying either a modified retrospective approach or the transition alternative prescribed in ASU 2018-11, *Leases*. The Organization opted to apply the transition alternative.

Under this transition method, an entity initially applies ASC 842 to all leases existing at the effective date (adoption date) and recognizes a cumulative effect adjustment to the opening balance of net assets, if any, as of that date. The adoption date therefore represents the "application date" under this transition method. The comparative period presented in the consolidated financial statements remains under legacy lease guidance (ASC 840). Organizations electing this transition alternative are also required to provide the ASC 840 disclosures for all prior periods presented that remain under the legacy lease guidance.

## Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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### 2. Summary of Significant Accounting Policies... continued

ASC 842 includes several optional practical expedients that entities may elect to apply. Three of these practical expedients, if elected, must be applied as a package consistently to all of an entity's leases that commenced before the effective date of this ASU. The Organization applied this practical expedient package, the components of which provide that an entity does not reassess whether any expired or existing contracts are or contain leases, does not reevaluate lease classification for any expired or existing leases, and does not reassess initial direct costs for existing leases. The Organization also utilizes the short-term lease exemption, which allows lessees not to capitalize leases with a term of twelve months or less at the commencement date.

The initial ROU assets are calculated as the present value of the remaining operating lease payments using the US Treasury's risk-free rate as of January 1, 2022, reduced by accrued and deferred rent (including accruals to expense operating lease payments on a straight-line basis), unamortized lease incentives, and any unamortized sale-leaseback gains that resulted from off-market terms and increased by unamortized lease acquisition costs. Upon the adoption of ASC 842, ROU lease assets are reviewed for impairment with the Organization's long-lived assets.

As a result of adopting ASC 842 on January 1, 2022, the Organization did not record any right-of-use lease assets and liabilities as all leases were determined to be immaterial to the consolidated financial statements. The opening balance of net assets was not affected by the adoption of ASC 842.

### 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 443,191	\$ 498,001
Grants and contributions receivable, net	<u>206,779</u>	<u>256,281</u>
	649,970	754,282
Less: net assets with donor restrictions	<u>(120,000)</u>	<u>(129,438)</u>
Financial assets available for general expenditures within one year	<u>\$ 529,970</u>	<u>\$ 624,844</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 \$682,235 and \$752,158 at June 30, 2023 and 2022 respectively, and consist of cash and cash equivalents, certificates of deposit 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).

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## 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. During the year ended June 30, 2023, the second annual \$50,000 installment was received and recognized as revenue and support on the accompanying consolidated statements of activities, leaving \$400,000 of conditional promises to give at June 30, 2023.

During the year ended June 30, 2023, the Organization received a cost reimbursement grant of \$111,892 from a federal agency. 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. At June 30, 2023, \$89,833 has been recognized as revenue and support on the accompanying consolidated statements of activities, leaving \$22,059 of conditional promises to give at June 30, 2023.

## 5. Property and Equipment

Property and equipment at June 30, 2023 and 2022 are comprised of the following:

	<u>2023</u>	<u>2022</u>
Land, building and improvements	\$3,766,267	\$3,659,638
Office and program equipment	406,346	327,888
Motor vehicles	166,536	166,536
Software	78,905	76,905
Leasehold improvements	2,346	2,346
Total	<u>4,420,400</u>	<u>4,233,313</u>
Less: accumulated depreciation	<u>(1,087,758)</u>	<u>(934,768)</u>
Property and equipment, net	<u>\$3,332,642</u>	<u>\$3,298,545</u>

## Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

### 6. Investments

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,761</u>	<u>\$ 229,761</u>
Total investments at fair value				<u>\$ 229,761</u>

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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,664</u>	<u>\$ 209,664</u>
Total investments at fair value				<u>\$ 209,664</u>

The following table summarizes the changes in the carrying value associated with level 3 financial instruments during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 209,664	\$ 249,896
Investment in fund	-	-
Investment return, net	21,714	(38,419)
Investment fees	<u>(1,617)</u>	<u>(1,813)</u>
Balance at end of year	<u>\$ 229,761</u>	<u>\$ 209,664</u>

Investment income for the year ended June 30, 2023 consisted of realized and unrealized net gains on investments of \$17,725 and interest income of \$7,162. 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.

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.

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%

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

## 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, 2023 and 2022. The line of credit carries interest at the higher of the prime rate or 4.25%. The rate was 8.5% at June 30, 2023. 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. Long-term Debt

Long-term debt at June 30, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
<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. The note is secured by certain property of the Organization.	\$ 144,231	\$ 148,077
Less: current portion	<u>(3,600)</u>	<u>(3,600)</u>
Note payable - SBA, net of current portion	<u>140,631</u>	<u>144,477</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.	390,816	399,915
Less: unamortized debt issuance costs	<u>(7,006)</u>	<u>(8,589)</u>
Mortgage payable, net of unamortized issuance costs	383,810	391,326
Less: current portion	<u>(9,267)</u>	<u>(8,900)</u>
Mortgage payable, net of current portion	<u>374,543</u>	<u>382,426</u>
Long-term debt, net of current portion and unamortized debt issuance costs	<u>\$ 515,174</u>	<u>\$ 526,903</u>

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

## 8. Long-term Debt...continued

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

2024	\$ 12,867
2025	13,473
2026	13,996
2027	14,539
2028	15,104
Thereafter	465,068
	<u>\$ 535,047</u>

## 9. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2023 and 2022 are restricted for the purposes or timing as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Case Management	\$ 30,000	\$ 50,000
Food - Mobile Market	30,000	-
Food Assistance	20,000	79,438
Taxes - ESOL	5,000	-
Kids - Food	5,000	-
	<u>90,000</u>	<u>129,438</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>30,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 120,000</u>	<u>\$ 129,438</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Case management	\$ 50,000	\$ 17,500
Food assistance	79,438	-
Youth and family programs	-	25,000
	<u>129,438</u>	<u>42,500</u>
Expiration of time restrictions		
General use	-	19,074
	<u>\$ 129,438</u>	<u>\$ 61,574</u>

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

## 10. 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 twenty (20%) percent to fifty (50%) percent of the Organization's annual budgeted operating expenses, or about two (2) to six (6) months of expenses on average.

The Board of Directors designated a \$400,000 Operating Reserve Fund (the "Fund") by vote. The general purpose of the Fund is to help to ensure the Organization's long-term financial stability, and position it to respond to varying economic conditions and changes affecting its financial position. In addition, the Board had designated \$40,000 for a capital replacement reserve. During FY 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, 2023 and 2022 follows:

	<u>Operating Reserve</u>	<u>Capital Reserve</u>	<u>COVID Reserve</u>	<u>Total Board Designated</u>
Reserve balances, July 1, 2021	\$391,781	\$45,224	\$402,783	\$ 839,788
Board appropriation/(designation)	(23,324)	(2,692)	(23,979)	(49,995)
Investment return	<u>(17,557)</u>	<u>(2,027)</u>	<u>(18,051)</u>	<u>(37,635)</u>
Reserve balances, June 30, 2022	350,900	40,505	360,753	752,158
Board appropriation/(designation)	(44,161)	(5,112)	(45,528)	(94,801)
Investment return	<u>11,606</u>	<u>1,340</u>	<u>11,932</u>	<u>24,878</u>
Reserve balances, June 30, 2023	<u>\$318,345</u>	<u>\$36,733</u>	<u>\$327,157</u>	<u>\$ 682,235</u>

## 11. 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 \$936,171 and \$850,727 for the years ended June 30, 2023 and 2022, respectively. There were no outstanding receivables, contract assets or contract liabilities at July 1, 2021, June 30, 2022 or June 30, 2023.

# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022

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## 11. Revenue from Contracts with Customers...continued

### *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.

## 12. Contributions, In-Kind

Donated food and other goods for the years ended Jun 30, 2023 and 2022 included in contributions, in-kind on the accompanying consolidated statements of activities were as follows:

	2023	2022
Food and other supplies	\$ 1,114,277	\$ 993,406
Clothing, furniture and other household goods	612,767	539,474
	<u>\$ 1,727,044</u>	<u>\$ 1,532,880</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 \$1.92 and \$1.74 per pound for the years ended June 30, 2023 and 2022, 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.

## 13. 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, 2023 and 2022 were \$42,133 and \$33,257, respectively.



# Beverly Bootstraps Community Services, Inc.

Notes to Consolidated Financial Statements  
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## 14. 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 four and three funding sources representing 89% and 72% of the total balance outstanding at June 30, 2023 and 2022, respectively.

## 15. Commitments and Contingencies

### *Equipment leases*

The Organization has equipment leases for various office equipment, which expire at various times through 2028. For the years ended June 30, 2023 and 2022, total rental expense under these lease agreement amounted to approximately \$8,526 and \$6,010, respectively.

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

2024	\$ 9,966
2025	6,546
2026	6,546
2027	6,302
2028	<u>2,060</u>
	<u>\$ 31,420</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  
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## **16. Coronavirus Pandemic**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. 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. Certain emergency provisions were lifted on May 11, 2023. 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.

The Organization's leadership and staff navigated through many challenges created by the COVID-19 Pandemic beginning at the end of FY20 through the early months of FY23. It was not until Q3 of FY23 that most processes returned to non-pandemic operations. The effects of the pandemic will be evident for years in Beverly Bootstraps clients' lives, and by extension, the organization's operations and responses to the additional need created.

## **17. Subsequent Events**

The Organization has evaluated subsequent events for potential disclosure or recognition through November 29, 2023, the date the consolidated financial statements were available to be issued.