

**BEVERLY BOOTSTRAPS**  
**COMMUNITY SERVICES, INC.**

**REPORT ON AUDIT**  
**OF FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

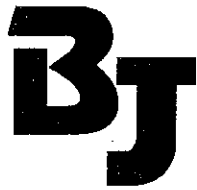
**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2011

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# Bernard, Johnson & Company, P.C.

Certified Public Accountants and Business Advisors

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Beverly Bootstraps Community Services, Inc. (a Massachusetts corporation, not for profit) ("Beverly Bootstraps") as of June 30, 2011 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Beverly Bootstraps Community Services' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Beverly Bootstraps' 2010 financial statements and, in our opinion dated October 5, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beverly Bootstraps Community Services, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Bernard Johnson & Company P.C.*

Topsfield, Massachusetts  
November 3, 2011

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

	2011	2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 303,149	\$ 427,538
Grants receivable	32,000	10,000
Prepaid expenses and deposits	25,868	19,030
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	361,017	456,568
	<hr/>	<hr/>
Investments restricted as to use	345,540	54,614
	<hr/>	<hr/>
Property and equipment, net	808,302	820,144
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,514,859</u>	<u>\$ 1,331,326</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	\$ 17,972	\$ 16,436
Accounts payable and accrued expenses	35,879	26,313
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	53,851	42,749
	<hr/>	<hr/>
Long-term debt, net of current portion	390,731	408,463
	<hr/>	<hr/>
Net assets:		
Unrestricted:		
General operating	695,663	824,000
Board designated	344,614	54,614
Total unrestricted	1,040,277	878,614
	<hr/>	<hr/>
Temporarily restricted	30,000	1,500
	<hr/>	<hr/>
TOTAL NET ASSETS	1,070,277	880,114
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,514,859</u>	<u>\$ 1,331,326</u>

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

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011  
*(With Comparative Totals for 2010)*

	Unrestricted	Temporarily Restricted	Total 2011	Total 2010
<b>REVENUES AND SUPPORT:</b>				
Contributions	\$ 233,787	\$ 663,423	\$ 897,210	\$ 765,471
Grants	126,394	114,886	241,280	226,404
Contracts	-	8,000	8,000	8,000
Special events, net of direct benefits to participants	79,785	-	79,785	123,152
Program fees and rents	-	11,306	11,306	13,962
Retail sales	363,870	-	363,870	296,692
Investment income	5,127	-	5,127	5,663
	<u>808,963</u>	<u>797,615</u>	<u>1,606,578</u>	<u>1,439,344</u>
Net assets released from restrictions	769,115	(769,115)	-	-
<b>TOTAL REVENUES AND SUPPORT</b>	<u>1,578,078</u>	<u>28,500</u>	<u>1,606,578</u>	<u>1,439,344</u>
<b>OPERATING EXPENSES:</b>				
<b>PROGRAM SERVICES</b>	<u>1,171,483</u>	<u>-</u>	<u>1,171,483</u>	<u>959,228</u>
<b>SUPPORT SERVICES:</b>				
Management and general	90,108	-	90,108	63,011
Fundraising	154,824	-	154,824	155,837
Total support services	<u>244,932</u>	<u>-</u>	<u>244,932</u>	<u>218,848</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>1,416,415</u>	<u>-</u>	<u>1,416,415</u>	<u>1,178,076</u>
<b>CHANGE IN NET ASSETS</b>	161,663	28,500	190,163	261,268
<b>NET ASSETS, beginning of year</b>	<u>878,614</u>	<u>1,500</u>	<u>880,114</u>	<u>618,846</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,040,277</u>	<u>\$ 30,000</u>	<u>\$ 1,070,277</u>	<u>\$ 880,114</u>

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

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 190,163	\$ 261,268
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	22,712	21,752
Cash provided by (used in) changes in:		
Grants receivable	(22,000)	(8,000)
Prepaid expenses and deposits	(6,838)	(13,830)
Accounts payable and accrued expenses	9,566	(46,293)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>193,603</b>	<b>214,897</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments restricted as to use	(290,926)	(54,614)
Purchases of property and equipment	(10,870)	(16,185)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(301,796)</b>	<b>(70,799)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES -</b>		
Payments of long-term debt	(16,196)	(15,128)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(124,389)</b>	<b>128,970</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>427,538</b>	<b>298,568</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 303,149</b>	<b>\$ 427,538</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for -		
Interest	\$ 23,428	\$ 24,692

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

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2011  
(With Comparative Totals for 2010)

	Direct Services	Housing	Food	Thrift Store	Adult/ Youth	Fund- Raising	Management and General	Total 2011	Total 2010
Salaries	\$ 81,197	\$ 887	\$ 65,007	\$ 75,009	\$ 141,284	\$ 67,274	\$ 44,079	\$ 474,737	\$ 379,798
Payroll taxes	6,307	69	5,049	5,827	10,975	5,226	3,424	36,877	32,405
Fringe benefits	13,790	151	11,041	12,739	23,996	11,426	7,486	80,629	60,753
Total salaries and benefits	101,294	1,107	81,097	93,575	176,255	83,926	54,989	592,243	472,956
Rent	-	-	-	38,400	-	-	-	38,400	38,585
Building maintenance	1,301	315	5,599	3,868	2,875	1,917	753	16,628	25,195
Depreciation	3,059	3,107	3,633	60	6,501	4,207	2,145	22,712	21,752
Mortgage interest expense	3,587	1,009	4,260	-	7,622	4,932	2,018	23,428	24,692
Utilities	1,232	-	1,464	6,209	2,619	1,695	693	13,912	10,111
Insurance	2,412	26	1,931	2,229	4,198	1,999	1,310	14,105	10,625
Total occupancy costs	11,591	4,457	16,887	50,766	23,815	14,750	6,919	129,185	130,960
Program supplies and expenses	40,485	-	246,435	9,985	175,654	-	410	472,969	402,209
Office expense	14,259	156	11,416	13,172	24,811	11,814	7,740	83,368	71,927
Contract labor	5,081	-	3,865	34,650	3,750	27,678	595	75,619	27,416
Special events and fundraising	-	-	-	-	-	15,293	-	15,293	32,169
Equipment lease	1,288	-	1,377	6,074	1,490	176	109	10,514	16,537
Professional fees	-	-	-	-	-	-	10,480	10,480	8,491
Advertising	-	-	1,135	4,639	-	146	2,381	8,301	5,582
Telephone	701	8	561	2,962	1,220	581	963	6,996	4,722
Appreciation	94	-	40	1,275	-	-	3,822	5,231	1,809
Conferences, meetings and training	1,265	-	1,348	-	104	176	1,318	4,211	1,554
Payroll service fees	343	4	275	120	597	284	382	2,005	1,744
Total other expenses	23,031	168	20,017	62,892	31,972	56,148	27,790	222,018	171,951
Total expenses	\$ 176,401	\$ 5,732	\$ 364,436	\$ 217,218	\$ 407,696	\$ 154,824	\$ 90,108	\$ 1,416,415	\$ 1,178,076

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

## **BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010

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#### **1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:**

##### **OPERATIONS:**

Beverly Bootstraps Community Services, Inc. ("Beverly Bootstraps") 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 2008, the agency became Beverly Bootstraps Community Services Inc, purchased a commercial building at 371 Cabot Street for its consolidated operations and hired its first non-founding executive director. A total of 17 Board members, 20 staff members and over 1,000 volunteers are now involved in its work. Its mission statement says, "Beverly Bootstraps Community Services provides critical resources to families and individuals so they may achieve self-sufficiency. We offer emergency and long-term assistance including: access to food, housing stability, adult and youth education, counseling and advocacy. We are community funded and supported."

Beverly Bootstraps Community Services addresses hunger and poverty through a food pantry; through support services, referrals and direct rental and utility assistance; and through GED test preparation, ESL classes, literacy and job training programs that build self-sufficiency. After-school programs and self-esteem programs for youth are also provided to break the cycle of generational poverty among its clients. In 2010, Beverly Bootstraps Community Services served 2,100 households, most from Beverly and neighboring Manchester. Many of the clients are underemployed or part-time employed, struggling to live on meager wages. Two-thirds represent households and one-third lives alone, 26% are ethnic minorities, while 10% are elderly/retired and 10% are disabled, and a growing number are immigrants.

##### **SIGNIFICANT ACCOUNTING POLICIES:**

###### **Management's Review**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 3, 2011, the date the financial statements were available to be issued.

###### **Basis of Accounting and Presentation**

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (ASC 958), Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. Beverly Bootstraps Community Services had no permanently restricted net assets at June 30, 2011 or 2010.

###### **Comparative Financial Statements**

The accompanying Statements of Activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Beverly Bootstraps Community Services' 2010 financial statements, from which the summarized information was taken.

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# **BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010 (Continued)

### **1. SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Use of Estimates**

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

#### **Cash and Cash Equivalents**

For the purpose of presentation in the Statements of Cash Flows, Beverly Bootstraps Community Services considers short-term investments with original maturities of three months or less to be cash equivalents. Time certificates of deposit totaling \$23,136, and not held for trading are included in cash and cash equivalents at June 30, 2010.

#### **Inventory**

In-kind food and thrift store inventory is not recorded in the Statements of Financial Position as the full value would be immaterial and any method for consistently recording its value has been determined to be arbitrary. Donations of used items, such as outdated clothing, food and supplies are used in Beverly Bootstraps Community Services' programs or sold through its Thrift Store.

#### **Investments Restricted as to Use**

The Board of Directors designated a \$250,000 Operating Reserve Fund (the "Fund") by vote at its June, 2011 board meeting. The general purpose of the fund is to help to ensure Beverly Bootstraps Community Services' long-term financial stability, and position it to respond to varying economic conditions and changes affecting its financial position. In addition, the Board has designated \$40,000 for a capital replacement reserve and has also designated \$54,614 from a previous bequest to support operating reserves.

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.

#### **Fair Value**

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

*(Continued)*

# **BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2011 AND 2010 (Continued)

### **1. SIGNIFICANT ACCOUNTING POLICIES (continued):**

#### **Property and Equipment**

Property and equipment are stated at cost or at fair market value upon receipt in the case of donated property. Depreciation is provided using the straight-line method, based on the estimated useful lives of the assets (five to thirty-nine years). Maintenance and repairs are charged to operations. Purchases of property and equipment in excess of \$1,000 are capitalized.

#### **Impairment of Long-Lived Assets**

Beverly Bootstraps Community Services has given consideration to the Financial Accounting Standards Board Statement ASC 360, *Accounting for the Impairment of Long-Lived Assets* (ASC 360) in its presentation of these financial statements. As of June 30, 2011, Beverly Bootstraps Community Services has not recognized any reduction in the carrying value of its property when considering ASC 360.

#### **Revenue Recognition**

Retail sale revenues are recognized at the time of sale. Revenues from contracts, grants and program fees are recognized as services are rendered or contractual commitments are met. Rental income from the use of the Clear Point Horizons condominium is recognized monthly and is currently \$850 per month.

#### **Contributions**

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

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of food are recorded using a wholesale value of \$1.58-\$1.60 per pound as determined annually by the Feeding America National Network of Food Banks. Contributions of cash that must be used to acquire land, buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Beverly Bootstraps Community Services reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### **Donated Services and Facilities**

Donated services and facilities are recognized as contributions in accordance with ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased. The organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the organization in carrying out its mission, which are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 are not met.

(Continued)

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued):**

**Functional Allocation of Expenses**

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

**Advertising**

Beverly Bootstraps Community Services expenses advertising and promotional costs as incurred. Advertising costs were \$8,301 and \$5,582 for the years ended June 30, 2011 and 2010, respectively.

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

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

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

**2. INVESTMENTS RESTRICTED AS TO USE:**

Investments restricted as to use are reported at fair value and consisted of the following at June 30:

	2011	2010
Money market funds	\$305,082	\$54,614
Certificate of deposit	40,458	-
	<u>\$345,540</u>	<u>\$54,614</u>

The certificate of deposit matures on June 25, 2012 and earns interest at the rate of 1.045%.

**3. FAIR VALUE MEASUREMENTS:**

Investments restricted as to use are measured using Level I measurements in the fair value hierarchy.

(Continued)

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)

**4. PROPERTY AND EQUIPMENT:**

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

	2011	2010
Land, building and condominium	\$861,482	\$852,322
Office and program equipment	33,805	32,095
Motor vehicles	6,550	8,951
Leasehold improvements	2,346	2,346
	<u>904,183</u>	<u>895,714</u>
Less accumulated depreciation	95,881	75,570
	<u>\$808,302</u>	<u>\$820,144</u>

Depreciation expense was \$22,712 and \$21,752 for the years ended 2011 and 2010, respectively.

The condominium was purchased in 1999 through the HOME Investment Partnership Program and is used in the Clear Point Horizons housing program. In exchange for an interest-free loan of \$27,000 used to purchase the property, Beverly Bootstraps granted the North Shore HOME Consortium a fifteen (15) year Affordable Housing Restriction ensuring retention of the property for occupancy by low income persons and families

**5. LONG-TERM DEBT:**

Beverly Bootstraps Community Services has a mortgage note payable to a bank secured by land and condominium located in Beverly and used in the Clear Point Horizons housing program (see Note 4). Principal and interest (6%) payments of approximately \$433 are payable monthly through September, 2014. The principal balance of the mortgage was \$14,528 and \$18,720 at June 30, 2011 and 2010, respectively. Future aggregate minimum principal payments over the following four fiscal years are as follows:

2012	\$4,450
2013	\$4,725
2014	\$5,016
2015	\$337

Beverly Bootstraps Community Services also has a \$27,000 loan payable to the City of Beverly secured by the land and condominium used in the Clear Point Horizons program. The loan is interest-free and is for a term of 15 years at which time (September, 2014) the entire principal balance is due. The use of the security is subject to an Affordable Housing Restriction granted to the North Shore HOME Consortium (see Note 4).

Beverly Bootstraps Community Services has a mortgage note payable to a bank secured by land and office building located in Beverly and used as the agency headquarters. Principal and interest (5.5%) payments of approximately \$2,780 are payable monthly through March 2016 at which time the interest rate will adjust. The principal balance of the mortgage was \$367,175 and \$379,179 at June 30, 2011 and 2010, respectively. Future aggregate minimum principal payments over the following five fiscal years are as follows:

2012	\$ 13,522
2013	14,285
2014	15,091
2015	15,942
2016	16,841
Thereafter	291,494

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**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

**6. COMMITMENTS AND CONTINGENCIES:**

**Leases**

Beverly Bootstraps Community Services leases a 4,080 square foot facility in Beverly for the purpose of operating its thrift store program. The five year lease ending May 31, 2014 requires monthly rent of \$3,200. The costs of utilities and maintenance are the responsibility of Beverly Bootstraps Community Services. A \$2,000 deposit for last month's rent is included in prepaid expenses and deposits on the Statements of Financial Position.

Rent expense was \$38,400 and \$38,585 for the years ended June 30, 2011 and 2010, respectively.

**Unemployment Compensation**

Beverly Bootstraps Community Services follows the reimbursable method of paying for state unemployment insurance benefits. Under the reimbursable method, the organization does not incur costs until a former employee files for unemployment benefits and is determined to be eligible. Once determined eligible, the organization is billed monthly for any and all costs incurred as a result of the payment of unemployment benefits. Beverly Bootstraps Community Services has not accrued an estimated potential liability for these costs nor did it incur costs related to unemployment claims in 2011 or 2010.

**7. RESTRICTIONS ON NET ASSETS:**

Temporarily restricted net assets of \$30,000 are three installments of general donations that have been awarded but not yet received at June 30, 2011.

**Operating Reserve Fund Activity and Designated Net Asset Balances**

As a component of its unrestricted net assets, Beverly Bootstraps Community Services has a board-designated Operating Reserve Fund (the "Fund", see Note 1) comprised of funds whose use is limited to funding initiatives, managing cash flow interruptions, minimizing the need to borrow funds, meeting commitments and functioning as an internal line of credit.

Fund activity for the year ended June 30, 2011, is as follows:

Operating Reserve Fund net assets, beginning of year	\$ -
Investment designation	250,000
Investment income	97
Appropriations	-
Operating Reserve Fund net assets, end of year	<u><u>\$ 250,097</u></u>

**Fund Investment Policy**

Beverly Bootstraps Community Services' 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.

*(Continued)*

**BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

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**7. RESTRICTIONS ON NET ASSETS *(continued)*:**

Strategies Employed for Achieving Objectives

Beverly Bootstraps Community Services 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 manages its Fund consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

Not yet included in the Fund are liquid assets totally \$94,614 the Board has designated for a capital replacement reserve and other operating reserve funds.

**8. RETIREMENT PLAN:**

Beverly Bootstraps Community Services offers a retirement plan under section 401(k) of the Internal Revenue Code for all employees aged 21 or older and having a minimum of one year of service. For each calendar year, the organization contributes a matching contribution to each eligible employee's account equal to 5% of the employee's compensation for the calendar year. All contributions to the plan are fully vested and non-forfeitable. For the years ended June 30, 2011 and 2010, matching contributions totaled \$13,905 and \$10,624, respectively.

**9. CONCENTRATIONS:**

Beverly Bootstraps Community Services, Inc. maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. No losses have been experienced in such accounts and management regularly monitors the financial condition of the financial institutions and specific cash balances to limit its exposure to any significant credit risk.