



BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.

**REPORT ON AUDIT
OF FINANCIAL STATEMENTS
JUNE 30, 2010**

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010 AND SIX MONTHS ENDED JUNE 30, 2009

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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 Community Services”) as of June 30, 2010 and the related statement of activities and cash flows for the year then ended. These financial statements are the representation of the management of Beverly Bootstraps Community Services. Our responsibility is to express an opinion on these statements based on our audit.

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, 2010, 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.

The 2009 financial statements were reviewed by us, and our report thereon, dated September 23, 2009, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Garard Johnson & Company P.C.

Topsfield, Massachusetts
October 5, 2010

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	ASSETS	
	Audited 2010	Reviewed 2009
Cash and cash equivalents	\$ 482,152	\$ 298,568
Accounts receivable	10,000	2,000
Deposits and prepaid expenses	19,030	5,200
Property and equipment, net	820,144	825,711
TOTAL ASSETS	<u>\$ 1,331,326</u>	<u>\$ 1,131,479</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Notes payable	\$ 424,899	\$ 440,027
Accounts payable and accrued expenses	26,313	72,606
TOTAL LIABILITIES	<u>451,212</u>	<u>512,633</u>
Commitments and contingency		
Net assets:		
Unrestricted:		
General operating	824,000	531,660
Board designated	54,614	54,614
Total unrestricted	<u>878,614</u>	<u>586,274</u>
Temporarily restricted	<u>1,500</u>	<u>32,572</u>
TOTAL NET ASSETS	<u>880,114</u>	<u>618,846</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,331,326</u>	<u>\$ 1,131,479</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, 2010
(With Comparative Reviewed Totals for the Six Months Ended June 30, 2009)

			Audited	Reviewed
	Unrestricted	Temporarily Restricted	Total 2010	Total 2009
REVENUES AND SUPPORT:				
Contributions	\$ 233,787	\$ 531,684	\$ 765,471	\$ 276,784
Grants	111,518	114,886	226,404	62,492
Contracts	-	8,000	8,000	4,000
Special events, net of direct benefits to participants	123,152	-	123,152	20,225
Program fees	-	5,462	5,462	3,878
Retail sales of program-related items	296,692	-	296,692	71,128
Investment income	5,663	-	5,663	3,120
Other income	-	8,500	8,500	-
	<u>770,812</u>	<u>668,532</u>	<u>1,439,344</u>	<u>441,627</u>
Net assets released from restrictions	672,377	(672,377)	-	-
	<u>1,443,189</u>	<u>(3,845)</u>	<u>1,439,344</u>	<u>441,627</u>
TOTAL REVENUES AND SUPPORT				
OPERATING EXPENSES:				
PROGRAM SERVICES				
	<u>959,228</u>	<u>-</u>	<u>959,228</u>	<u>350,993</u>
SUPPORT SERVICES:				
Management and general	63,011	-	63,011	33,204
Fundraising	155,837	-	155,837	54,311
Total support services	<u>218,848</u>	<u>-</u>	<u>218,848</u>	<u>87,515</u>
	<u>1,178,076</u>	<u>-</u>	<u>1,178,076</u>	<u>438,508</u>
TOTAL OPERATING EXPENSES				
CHANGE IN NET ASSETS	265,113	(3,845)	261,268	3,119
NET ASSETS, beginning of year	<u>613,501</u>	<u>5,345</u>	<u>618,846</u>	<u>615,727</u>
NET ASSETS, end of year	<u>\$ 878,614</u>	<u>\$ 1,500</u>	<u>\$ 880,114</u>	<u>\$ 618,846</u>

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010
AND SIX MONTHS ENDED JUNE 30, 2009

	<u>Audited</u>	<u>Reviewed</u>
	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 261,268	\$ 3,119
Adjustments to reconcile change in net assets to net cash provided by (used for) operations:		
Depreciation	21,752	10,229
Cash provided by (used in) changes in:		
Accounts receivable	(8,000)	286
Deposits and prepaid expenses	(13,830)	1,333
Accounts payable and accrued expenses	(46,293)	(8,324)
NET CASH PROVIDED BY OPERATING ACTIVITIES	214,897	6,643
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,185)	(14,091)
NET CASH USED IN INVESTING ACTIVITIES	(16,185)	(14,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of notes payable	(15,128)	(7,261)
NET CASH USED IN FINANCING ACTIVITIES	(15,128)	(7,261)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	183,584	(14,709)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	298,568	313,277
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 482,152	\$ 298,568
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 24,692	\$ 12,650

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

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

Beverly Bootstraps Community Services 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, purchased a commercial building at 371 Cabot Street for its consolidated operations and hired its first non-founding Executive Director. A total of 18 Board members, 20 staff members and over 500 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 2009, Bootstraps served 1,600 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 live alone. 26% are ethnic minorities, while 10% are elderly/retired and 10% are disabled, and a growing number are immigrants seeking help.

SIGNIFICANT ACCOUNTING POLICIES:

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 5, 2010, 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, 2010 or 2009.

Comparative Financial Statements

The accompanying Statement 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' financial statements for the six months ended June 30, 2009, from which the summarized information was taken.

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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(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 \$63,145 and \$123,934, and not held for trading are included in cash and cash equivalents at June 30, 2010 and 2009, respectively.

Inventory

In-kind 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.

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 over the estimated useful lives of the respective assets 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, 2010, Beverly Bootstraps has not recognized any reduction in the carrying value of its property when considering ASC 360.

Contributions

Contributions received are recorded upon receipt of cash in the instance of monetary contributions. Contributed food and clothing items are recorded at their estimated fair market value, as unrestricted, temporarily restricted, or permanently restricted support, 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.

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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

Contributions (continued)

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 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.

Advertising

Beverly Bootstraps Community Services expenses advertising and promotional costs as incurred. Advertising costs were \$5,582 and \$3,050 for the year ended June 30, 2010 and six months ended June 30, 2009, respectively.

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 Statement 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.

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.

During 2009, management adopted 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 organizations tax filings in a timely manner including as permitted allowed extensions.

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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

2. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

	2010	2009
Land, building and condominium	\$852,322	\$845,524
Office and program equipment	32,095	23,876
Motor vehicles	8,951	8,951
Leasehold improvements	2,346	1,177
	<u>895,714</u>	<u>879,528</u>
Less accumulated depreciation	75,570	53,817
	<u>\$820,144</u>	<u>\$825,711</u>

Depreciation expense was \$21,752 for the year ended June 30, 2010 and \$10,229 for the six months ended June 30, 2009, respectively.

The Clear Point Horizons condominium was purchased in 1999 with assistance from the HOME Investment Partnership Program and is used in the organization's Clear Point Horizons program. In exchange for an interest-free loan of \$27,000 used to purchase the property, Beverly Bootstraps Community Services 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.

3. NOTES PAYABLE

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 program (see Note 3). Principal and interest (at 6%) payments of approximately \$433 are payable monthly through September, 2014. The principal balance of the mortgage was \$18,720 and \$22,668 at June 30, 2010 and 2009, respectively. Future aggregate minimum principal payments over the following five years are as follows:

2011	\$4,192
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 3).

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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009
(Continued)

3. NOTES PAYABLE (continued)

Beverly Bootstraps Community Services has a mortgage note payable to a bank secured by land and building located in Beverly and used as the agency headquarters. Principal and interest (at 6%) payments of approximately \$2,885 are payable monthly through July, 2013 at which time the interest rate will adjust. The principal balance of the mortgage was \$379,179 and \$390,359 at June 30, 2010 and 2009, respectively. Future aggregate minimum principal payments over the following five years are as follows:

2011	\$12,244
2012	\$12,999
2013	\$13,801
2014	\$340,135

4. RELATED PARTY TRANSACTIONS

Beverly Bootstraps Community Services entered into a postemployment benefit agreement with a former Executive Director of the organization. Under the terms of the agreement, beginning April, 2009, the former Executive Director will receive salary and group insurance benefits for a period of eighteen pay periods, and provided there is compliance by the former Executive Director with the other terms of the agreement, he will receive an additional lump sum payment of \$15,000. At June 30, 2010, this agreement had been satisfied.

5. COMMITMENTS AND CONTINGENCY

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 deposits and prepaid expenses on the Statement of Financial Position.

Rent expense was \$38,585 for the year ended June 30, 2010 and \$13,200 for the six months ended June 30, 2009.

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.

6. RESTRICTED NET ASSETS

Net assets totaling \$54,614 have been designated by the Board for operating reserves. The principal of these assets is included in cash and cash equivalents on the Statement of Financial Position.

Temporarily restricted net assets are restricted for the following program purpose at June 30, 2010:

Youth program	\$1,500
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BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

7. 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 year ended June 30, 2010 and six months ended June 30, 2009, Beverly Bootstraps Community Services made matching contributions of \$10,624 and \$3,391, respectively.

8. CONCENTRATIONS

Beverly Bootstraps Community Services maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. Beverly Bootstraps Community Services has not experienced any losses 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.

9. FISCAL YEAR CHANGE

Effective the calendar year beginning January 1, 2009, Beverly Bootstraps Community Services has changed from a calendar year end of December 31 to a fiscal year end of June 30. The six-month fiscal transition period from January 1, 2009 through June 30, 2009 (as presented), precedes the start of the new fiscal year cycle.

