

**BEVERLY BOOTSTRAPS
COMMUNITY SERVICES, INC.**

Financial Statements

June 30, 2014

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

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DAN CLASBY & COMPANY

Certified Public Accountants

-1-

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Beverly Bootstraps Community Services, Inc.
371 Cabot Street
Beverly, MA 01915

We have audited the accompanying financial statements of Beverly Bootstraps Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

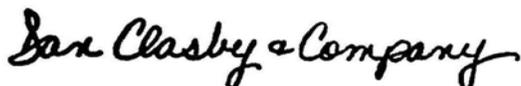
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beverly Bootstraps Community Services, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Summarized Comparative Information

The financial statements of Beverly Bootstraps Community Services, Inc. as of June 30, 2013 were audited by other auditors whose report dated August 29, 2013 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2013 is derived from those statements.

Very truly yours,



September 24, 2014

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email: ClasbyCo@msn.com

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Financial Position

June 30, 2014

	<u>Assets</u>	
	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 300,318	\$ 204,212
Savings - board designated	<u>501,276</u>	<u>498,587</u>
Total cash and cash equivalents	801,594	702,799
Prepaid expenses and other	45,139	31,442
Pledges receivable - net, current	<u>177,620</u>	<u>126,816</u>
Total current assets	1,024,353	861,057
Pledges receivable - net, noncurrent	112,529	-
Property and equipment, net	<u>851,657</u>	<u>860,079</u>
Total Assets	\$ <u>1,988,539</u>	\$ <u>1,721,136</u>

Liabilities and Net Assets

Current liabilities:		
Note payable - demand	\$ 147,345	\$ -
Current portion of long-term debt	15,500	20,103
Mortgage payable - forgivable, current	27,000	-
Accounts payable and accrued expenses	94,737	68,442
Deferred revenue	<u>-</u>	<u>22,250</u>
Total current liabilities	284,582	110,795
Long-term debt, net of current portion	<u>309,733</u>	<u>352,267</u>
Total Liabilities	<u>594,315</u>	<u>463,062</u>
Net assets:		
Unrestricted		
Undesignated	434,572	634,598
Board designated	<u>501,276</u>	<u>496,660</u>
Total unrestricted	935,848	1,131,258
Temporarily restricted	<u>458,376</u>	<u>126,816</u>
Total Net Assets	1,394,224	1,258,074
Total Liabilities and Net Assets	\$ <u>1,988,539</u>	\$ <u>1,721,136</u>

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Activities

Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Support and Revenue:				
Contributions and grants	\$ 723,447	\$ 420,397	\$ 1,143,844	\$ 902,865
Thrift shop sales	629,200	-	629,200	590,687
Contributions, in-kind	470,208	-	470,208	415,213
Special events	84,281	4,645	88,926	99,377
Rent income	10,000	-	10,000	10,148
Government grants	9,300	-	9,300	8,000
Interest income	2,832	-	2,832	2,027
Miscellaneous revenue	1,122	-	1,122	-
Net assets released from restrictions	<u>93,482</u>	<u>(93,482)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,023,872</u>	<u>331,560</u>	<u>2,355,432</u>	<u>2,028,317</u>
Expenses				
Program services:				
Program services	1,286,947	-	1,286,947	1,217,589
Program services - in kind	<u>425,382</u>	<u>-</u>	<u>425,382</u>	<u>390,751</u>
Total program services	<u>1,712,329</u>	<u>-</u>	<u>1,712,329</u>	<u>1,608,340</u>
Supporting services:				
Management and general	67,871	-	67,871	94,220
Fundraising	<u>439,082</u>	<u>-</u>	<u>439,082</u>	<u>227,021</u>
Total supporting services	<u>506,953</u>	<u>-</u>	<u>506,953</u>	<u>321,241</u>
Total expenses	<u>2,219,282</u>	<u>-</u>	<u>2,219,282</u>	<u>1,929,581</u>
Change in net assets	(195,410)	331,560	136,150	98,736
Net assets at beginning of year	<u>1,131,258</u>	<u>126,816</u>	<u>1,258,074</u>	<u>1,159,338</u>
Net assets at end of year	\$ <u>935,848</u>	\$ <u>458,376</u>	\$ <u>1,394,224</u>	\$ <u>1,258,074</u>

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Cash Flows

Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 136,150	\$ 98,736
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	41,661	35,460
Contributions in kind property and equipment	(2,650)	-
Changes in operating assets and liabilities:		
Pledges receivable	(163,333)	(73,712)
Prepaid expenses	(13,697)	(2,342)
Accounts payable and accrued expenses	26,295	26,943
Deferred revenue	(22,250)	<u>10,250</u>
Net cash provided by operating activities	<u>2,176</u>	<u>95,335</u>
Cash flows from investing activities:		
Purchases of equipment and improvements	(30,589)	(73,347)
Net cash used by investing activities	<u>(30,589)</u>	<u>(73,347)</u>
Cash flows from financing activities:		
Payments of long-term debt	(20,137)	(18,709)
Proceeds from note payable - demand	<u>147,345</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>127,208</u>	<u>(18,709)</u>
Net change in cash and cash equivalents	98,795	3,279
Cash and cash equivalents at beginning of year	<u>702,799</u>	<u>699,520</u>
Cash and cash equivalents at end of year	\$ <u>801,594</u>	\$ <u>702,799</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Donated property and equipment	\$ 2,650	\$ -
Cash paid during the year for:		
Interest	\$ 19,515	\$ 19,975

See accompanying notes to financial statements.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

Program Services

	<u>Food Assistance</u>	<u>Client Support</u>	<u>Adult Education</u>	<u>Youth & Family</u>	<u>Thrift Shop</u>
Client betterment	\$ 76,017	\$ 50,314	\$ 4,176	\$ 15,196	\$ -
Client betterment - in kind	<u>264,292</u>	<u>2,546</u>	<u>1,631</u>	<u>152,111</u>	<u>4,802</u>
Total client betterment costs	<u>340,309</u>	<u>52,860</u>	<u>5,807</u>	<u>167,307</u>	<u>4,802</u>
Salaries	152,539	138,425	99,869	86,692	162,591
Fringe benefits	27,289	26,586	5,557	4,823	29,751
Other personnel costs	<u>18,135</u>	<u>16,192</u>	<u>13,311</u>	<u>10,425</u>	<u>25,962</u>
Total personnel costs	<u>197,963</u>	<u>181,203</u>	<u>118,737</u>	<u>101,940</u>	<u>218,304</u>
Rent	756	-	-	-	43,000
Depreciation	13,012	16,609	5,043	3,566	58
Insurance	9,811	7,373	2,754	1,947	285
Interest expense and condo fees	6,273	9,530	2,432	1,719	28
Utilities	3,862	4,007	1,497	1,058	7,226
Repairs and maintenance	<u>3,635</u>	<u>3,311</u>	<u>800</u>	<u>565</u>	<u>1,450</u>
Total occupancy costs	<u>37,349</u>	<u>40,830</u>	<u>12,526</u>	<u>8,855</u>	<u>52,047</u>
Professional fees	3,118	4,948	1,208	855	1,044
Contract labor	100	2,643	4,111	-	37,987
Office expenses	14,772	10,221	5,202	3,497	17,614
Marketing	1,163	1,160	433	306	4,137
Special events and fundraising	-	-	-	-	2,798
Equipment lease	4,407	4,508	1,684	1,191	5,276
Conferences, education and travel	9,496	952	324	135	746
Telephone	2,891	2,839	1,060	750	2,109
Newsletters and publications	2,956	3,068	1,146	810	13
Appreciation	2,300	2,525	857	667	1,463
Bad debts	-	-	-	-	-
Total other expenses	<u>41,203</u>	<u>32,864</u>	<u>16,025</u>	<u>8,211</u>	<u>73,187</u>
Total functional expenses	<u>\$ 616,824</u>	<u>\$ 307,757</u>	<u>\$ 153,095</u>	<u>\$ 286,313</u>	<u>\$ 348,340</u>

See accompanying notes to financial statements.

Supporting Services

<u>Management and General</u>	<u>Fundraising</u>		<u>Total 2014</u>	<u>Total 2013</u>
	<u>Capital Campaign</u>	<u>Other</u>		
\$ -	\$ -	\$ -	\$ 145,703	\$ 112,210
<u>-</u>	<u>-</u>	<u>-</u>	<u>425,382</u>	<u>390,751</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>571,085</u>	<u>502,961</u>
20,780	44,815	102,318	808,029	771,613
7,159	2,198	18,571	121,934	120,437
<u>11,443</u>	<u>3,587</u>	<u>12,329</u>	<u>111,384</u>	<u>95,423</u>
<u>39,382</u>	<u>50,600</u>	<u>133,218</u>	<u>1,041,347</u>	<u>987,473</u>
-	-	-	43,756	40,853
1,349	-	2,024	41,661	35,460
737	-	1,105	24,012	17,859
651	743	976	22,352	19,975
400	-	601	18,651	13,751
<u>6,062</u>	<u>-</u>	<u>321</u>	<u>16,144</u>	<u>18,926</u>
<u>9,199</u>	<u>743</u>	<u>5,027</u>	<u>166,576</u>	<u>146,824</u>
323	153,514	485	165,495	8,812
7,985	-	18,892	71,718	58,835
3,106	613	9,827	64,852	62,823
266	21,242	8,908	37,615	46,134
-	-	33,507	36,305	42,435
488	-	676	18,230	12,163
5,233	139	436	17,461	19,675
1,259	-	426	11,334	8,948
307	-	460	8,760	16,879
323	-	369	8,504	13,119
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
<u>19,290</u>	<u>175,508</u>	<u>73,986</u>	<u>440,274</u>	<u>292,323</u>
\$ <u>67,871</u>	\$ <u>226,851</u>	\$ <u>212,231</u>	\$ <u>2,219,282</u>	\$ <u>1,929,581</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Nature of Activities

Beverly Bootstraps (the Organization) is a leading social service agency on the North Shore that started as a food pantry in a downtown Beverly church in 1992; incorporated as Beverly Bootstraps Food Pantry in 1994; and secured IRS 501(c)(3) status in 1995. In 2007, the agency became Beverly Bootstraps Community Services, Inc. In 2008, the Organization purchased a commercial building at 371 Cabot Street in Beverly for its consolidated operations and hired its first non-founding executive director. A total of 19 Board members, 25 staff members and over 500 volunteers are now involved in its work. Its mission is to "provide critical resources to families and individuals so they may achieve self-sufficiency, through emergency and long-term assistance including: access to food, housing stability, adult and youth education, counseling and advocacy".

The Organization addresses hunger through its food assistance programs which provide emergency food to those in need. The Food Pantry distributes food through a pantry visit or delivery Monday through Friday and two Saturdays per month. In FY14, the Food Pantry served 2,719 individuals (1,225 households) with 24,066 bags of food (320,880 lbs of food) distributed in 8,022 visits by those in need. The summer Mobile Market program served 770 individuals (428 households) with over 37,000 lbs. of food. The summer Park Lunch program is an eight (8) week outreach effort to local children at risk of going without a noon meal during the summer months. In FY14, 6,597 lunches were distributed.

Direct Services include case management; housing stability, heat and utility assistance, tax preparation and clothing and goods assistance. Case Managers help clients cope with complex and economically challenging situations, help clients find resources and connect them to services. In FY14, 1,575 clients were assisted. The Earned Income Tax Credit (EITC) outreach program provides working low-income individuals and families with free tax preparation. In FY14, 185 tax returns were filed resulting in over \$254,773 in refunds to clients; with \$119,347 as a direct result of EITC funds.

Education classes are broken out by Adult and Youth and Family. Adult classes include HiSET Test Preparation, English Language Classes, Computer Training, Adult Literacy and Job Readiness. Youth ages 6 to 14 are served through After School Homework Clubs and with their parents or guardians through regular Family Nights. In FY14, 191 students were enrolled in one of the Adult Education classes and 5 students participated in the Job Readiness class. Twenty-one children were enrolled in After School Homework Clubs.

Seasonal programs include a holiday gift program, back-to-school backpack distribution and summer camp placements. In FY14, 657 children received holiday gifts, 730 backpacks filled with school supplies were distributed and 49 children were placed in summer camps.

The Organization operates a retail Thrift Shop and relies on merchandise donations to sustain an inventory of high-quality, used clothing and household items sold at discounted prices. Clients may receive vouchers for free merchandise. In FY14, 131 vouchers were distributed.

The Organization addresses housing issues mostly under case management with client assistance, however the organization also owns a residential condominium that is rented at an affordable rate.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(1) Continued

The Organization has strategically invested in its fundraising efforts to support the growth in its mission-based services. Management and general expenses have been kept in check by the continued philosophy of using volunteers where possible and careful use of resources.

During the year ended June 30, 2014, the Organization implemented a capital campaign. The campaign is multi-purpose: to support program expansion, to build an endowment and to obtain a larger single facility to house the Organization's operations.

Basis of Accounting and Presentation

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Organization had no permanently restricted net assets at June 30, 2014.

Financial Statement Presentation

The financial statements include 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 the Organization's 2013 financial statements, from which the summarized information was taken.

Use of Estimates

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

Cash and Cash Equivalents

For the purpose of presentation in the statements of cash flows, the Organization considers short-term investments with original maturities of three months or less to be cash equivalents.

Inventory

In-kind food and thrift store inventory is not recorded in the statements of financial position as the full value would be immaterial and any method for consistently recording its value has been determined to be arbitrary. Donations of used items, such as clothing, food and supplies are used in the Organization's programs or sold through its thrift store.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(1) Continued

Savings – Board Designated

The Board of Directors designated a \$400,000 Operating Reserve Fund (the "Fund") by vote. The general purpose of the Fund is to help to ensure the Organization's long-term financial stability, and position it to respond to varying economic conditions and changes affecting its financial position. In addition, the Board has designated \$40,000 for a capital replacement reserve and has also designated \$54,614 from a previous bequest to support operating reserves. The Fund balance includes cumulative investment income of \$6,662.

The Executive Director may access up to \$25,000 from the Fund as a revolving line of credit, provided that, in the determination of the Executive Director, sufficient accounts or grants receivable are reasonably certain to be available to repay such usage within ninety (90) calendar days.

Any funds borrowed from the Fund greater than \$25,000 or for longer than ninety (90) calendar days will be paid back through a prescribed repayment schedule. Approval of any such usage and the proposed repayment schedule shall be requested by the Executive Director from the finance committee for review, deliberation, and recommendation to the board for further deliberation and vote.

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 24, 2014, the date the financial statements were available to be issued.

Property and Equipment

Property and equipment are stated at cost or at fair market value upon receipt in the case of donated property. Depreciation is provided using the straight-line method, based on the estimated useful lives of the assets (three to 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

The Organization has given consideration to the Financial Accounting Standards Board Statement ASC 360, Accounting for the Impairment of Long-Lived Assets (ASC 360) in its presentation of these financial statements. As of June 30, 2014, the Organization 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 \$850 per month.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(1) Continued

Donated Services and Facilities

Donated services and facilities are recognized as contributions in accordance with ASC 958, Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased. Recorded donated services amounted to \$13,126 during the year ended June 30, 2014. However, many individuals volunteer their time and perform a variety of tasks that assist the organization in carrying out its mission, which are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 are not met.

Contributions

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

Gifts in-kind are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Contributions of food are recorded using a wholesale value of \$1.69 per pound as determined annually by the Feeding America National Network of Food Banks. Other in-kind values used for donated equipment and operating expenses totaled \$44,826 for FY14. Contributions of cash that must be used to acquire land, buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Functional Allocation of Expenses

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

Marketing

The Organization expenses marketing and promotional costs as incurred. Marketing costs were \$37,615 and \$46,134 for the years ended June 30, 2014 and 2013, respectively.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(1) Continued

Income Tax Status and Uncertainty of Income Taxes

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

Management follows ASC Topic 740 relating to accounting for uncertainty in income taxes. As required, management has evaluated its tax positions applying a "more likely than not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the federal or state taxing authorities. Management has filed all of the organization's tax filings in a timely manner including, as permitted, allowed extensions. Years 2009 through 2013 remain subject to examination by the United States taxing authority.

Reclassifications

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

(2) Savings – Board Designated

Board designated savings include \$ 6,662 of unrestricted interest income. The balance of the board designated savings consisted of the following at June 30, 2014:

Money market accounts	\$ 501,276
Certificate of deposit	_____ -
Total savings – board designated	\$ <u>501,276</u>

The certificate of deposit matured on June 25, 2014 and earned interest at the rate of .5%.

(3) Pledges Receivable

Pledges receivable pertain to the Organization's capital campaign and programs. Outstanding pledges receivable at June 30, 2014 are summarized as follows:

Pledges receivable expected to be collected in:

Less than one year	\$ 177,620
One to five years	126,387
More than five years	_____ -
Gross pledges receivable	304,007
Less allowance for doubtful accounts	(2,500)
Less present value discount (3% rate)	(<u>11,358</u>)
Pledges receivable, net	\$ <u>290,149</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(4) Property and Equipment

Property and equipment are comprised of the following at June 30, 2014:

Construction in progress	\$ 6,452
Land building and condominium	894,238
Office and program equipment	68,090
Software	20,795
Motor vehicles	53,700
Leasehold improvements	<u>2,346</u>
Total	1,045,621
Less accumulated depreciation	<u>193,964</u>
Property and equipment, net	\$ <u>851,657</u>

Depreciation expense was \$41,661 and \$35,460 for the years ended 2014 and 2013, 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, the Organization granted the North Shore HOME Consortium a fifteen (15) year Affordable Housing Restriction ensuring retention of the property for occupancy by low income persons and families through September 2014.

(5) Note Payable-Demand

On April 22, 2014, the Organization obtained a line of credit of \$625,000 with a local bank. The note carries interest at the bank's base rate (3.25% at June 30, 2014) and expires June 1, 2015. The outstanding balance at June 30, 2014 is \$147,345. The line of credit is secured by cash and money market accounts at the same bank which total \$512,574 as of June 30, 2014.

(6) Mortgage Payable - Forgivable

The Organization 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 may be forgiven if the Affordable Housing Restriction is satisfied. 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, INC.

Notes to Financial Statements

June 30, 2014

(7) Long-Term Debt

The Organization has a mortgage note payable to a bank, which matures July 16, 2028, secured by land and office building located in Beverly and used as the agency headquarters. Principal and interest (5.5%) payments of approximately \$2,781 are payable monthly through March, 2016 at which time the interest rate will adjust. The principal balance of the mortgage was \$325,233 and \$340,017 at June 30, 2014 and 2013, respectively. Future aggregate minimum principal payments over the following five fiscal years are as follows:

2015	\$ 15,500
2016	16,400
2017	17,300
2018	18,200
2019	19,100
Thereafter	238,733

(8) Commitments and Contingencies

Operating Leases

The Organization leases a 5,660 square foot facility in Beverly for the purpose of operating its thrift store program. The five year lease ending April 1, 2019 requires initial monthly rent of \$3,881 has an option to renew for five years. The costs of utilities and maintenance are the responsibility of the Organization. A \$2,000 deposit for last month's rent is included in prepaid expenses and other on the Statement of Financial Position. Thrift store rent expense was \$43,000 and \$39,800 for the years ended June 30, 2014 and 2013, respectively.

The Organization also has operating leases for various office equipment which expire at various times through 2019. For the years ended June 30, 2014 and 2013, total rental expense under these lease agreements amounted to approximately \$4,972 and \$2,545, respectively.

As of June 30, 2014, the aggregate amount of future minimum rental commitments due on these leases is as follows:

2015	\$ 51,038
2016	49,540
2017	51,086
2018	53,212
2019	<u>39,533</u>
	\$ <u>244,409</u>

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

June 30, 2014

(8) Continued

PEO Agreement

Beginning in January, 2012, the Organization entered an agreement with a professional employer organization ("PEO") to co-employ the Organization's work-site employees. Under the terms of this agreement, the PEO provides payroll and tax processing services, administers claims for unemployment, offers and administers group insurance benefits and workers compensation insurance, provides human resources services and guidance, and provides a limited legal defense benefit for employment-related claims.

Other personnel costs in the Statement of Functional Expenses include payroll taxes, workers compensation insurance and service fees in connection with this agreement.

The agreement renews annually for a one-year term.

(9) Restrictions on Net Assets

Temporarily restricted net assets of \$458,376 consist of the following:

Pledges receivable, net of discount	\$ 292,649
Capital campaign	143,317
Programs	<u>22,410</u>
	\$ <u>458,376</u>

(10) Operating Reserve Fund Activity and Designated Net Asset Balances

As a component of its unrestricted net assets, the Organization has a Board-designated Operating Reserve Fund (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. The Board has established a target amount of maintaining thirty-three (33%) percent to fifty (50%) percent of the Organization's annual budgeted operating expenses, or about three (3) to six (6) months of expenses on average.

Fund activity for the year ended June 30, 2014, is as follows:

Operating Reserve Fund net assets, beginning of year	\$ 402,046
Board designation	-
Interest income	2,118
Board appropriation	<u>-</u>
Operating Reserve Fund net assets, end of year	\$ <u>404,164</u>

Fund Investment Policy

The Organization has adopted a conservation of principal approach with a primary investment objective of fixed income investments to generate current income and a secondary investment objective of conservative growth.

BEVERLY BOOTSTRAPS COMMUNITY SERVICES, INC.

Notes to Financial Statements

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(10) Continued

Strategies Employed for Achieving Objectives

The Organization has determined that a preservation of capital objective is most appropriate. This objective is designed to preserve the real value of its assets and to maintain spending in real terms. The Board cannot pay out more, on average over time, than the average real return it earns from its investment portfolio. While there is no specific spending policy in place, the Board understands they would like to achieve the return and risk characteristics consistent with the following allocation:

Cash and money market funds	80 - 100%
Equity securities	0 - 5%
Fixed income securities	0 - 20%

The Organization manages its Fund consistent with the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Not yet included in the Fund are liquid assets totaling \$96,541 the Board has designated for capital replacement reserves and other operating reserves.

(11) Retirement Plan

The Organization offers a retirement plan under section 401 (k) of the Internal Revenue Code for all employees aged 21 or older and having a minimum of one year of service. For each calendar year, the organization contributes a matching contribution to each eligible employee's account equal to 5% of the employee's compensation for the calendar year. All contributions to the plan are fully vested and non-forfeitable. For the years ended June 30, 2014 and 2013, matching contributions totaled \$26,442 and \$26,454, respectively.

(12) Concentrations

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

(13) Related Parties

The Organization has members of its Board of Directors who are associated with vendors and banks that conduct business with the Organization. As of June 30, 2014, the Organization has their checking and loan accounts with these banks.

(14) Subsequent Events

Subsequent events were evaluated through September 24, 2014, which is the date the financial statements were available to be issued. On September 24, 2014, the Organization received a discharge of the \$27,000 forgivable mortgage from the City of Beverly.