

BEACON HILL VILLAGE, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2016**

**Together with
Independent Auditor's Report**

BEACON HILL VILLAGE, INC.

JUNE 30, 2016

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial statements:	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6-14



Eliott Morra CPA, PC
Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
Beacon Hill Village, Inc.
Boston, Massachusetts

I have audited the accompanying financial statements of Beacon Hill Village, Inc. (a not-for-profit corporation) which comprise the statements of financial position as of June 30, 2016 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Beacon Hill Village, Inc. as of June 30, 2016, 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.

Eliott Morra CPA, PC

Certified Public Accountant
October 24, 2016

BEACON HILL VILLAGE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current assets:	
Cash and cash equivalents	\$ 220,771
Investments	98,238
Accounts receivable	2,033
Pledges receivable	10,000
Other assets	4,010
	<u>335,052</u>
Property and equipment:	
Furniture and equipment	14,945
Accumulated depreciation	(14,945)
	<u>0</u>
Other assets:	
Endowment investments	479,604
Deposits	2,000
	<u>481,604</u>
TOTAL ASSETS	<u>\$ 816,656</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 30,572
Deferred revenue	15,992
	<u>46,564</u>
Net assets:	
Unrestricted	410,061
Temporarily restricted	360,031
	<u>770,092</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 816,656</u>

See independent auditor's report and notes to financial statements.

BEACON HILL VILLAGE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support:			
Contributions	\$ 177,805	\$ 69,635	\$ 247,440
Membership fees	171,366	0	171,366
Program revenue	41,684	0	41,684
Special events, net	39,085	0	39,085
Investment income (loss)	110	(540)	(430)
Other income	679		679
Net assets released from satisfaction of program restrictions	49,698	(49,698)	0
	<u>480,427</u>	<u>19,397</u>	<u>499,824</u>
Expenses:			
Program services	377,488	0	377,488
Administration	46,454	0	46,454
Fundraising	13,742	0	13,742
	<u>437,684</u>	<u>0</u>	<u>437,684</u>
Change in net assets	42,743	19,397	62,140
Net assets, beginning of year	<u>367,318</u>	<u>340,634</u>	<u>707,952</u>
Net assets, end of year	<u>\$ 410,061</u>	<u>\$ 360,031</u>	<u>\$ 770,092</u>

See independent auditor's report and notes to financial statements.

BEACON HILL VILLAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Personnel:				
Salaries and wages	\$ 226,311	\$ 25,422	\$ 7,271	\$ 259,004
Payroll taxes and benefits	<u>24,309</u>	<u>2,707</u>	<u>844</u>	<u>27,860</u>
	<u>250,620</u>	<u>28,129</u>	<u>8,115</u>	<u>286,864</u>
 Occupancy	 <u>24,886</u>	 <u>2,311</u>	 <u>613</u>	 <u>27,810</u>
Operational:				
Board and staff development	1,235	115	30	1,380
Credit card fees	4,127	0	0	4,127
Direct member services	57,639	0	0	57,639
Insurance	1,374	1,563	34	2,971
Miscellaneous	8,531	1,013	4,668	14,212
Outreach and marketing	17,671	0	0	17,671
Postage and shipping	2,061	191	51	2,303
Professional fees	1,694	12,422	42	14,158
Supplies	5,389	500	133	6,022
Telephone	<u>2,261</u>	<u>210</u>	<u>56</u>	<u>2,527</u>
	<u>101,982</u>	<u>16,014</u>	<u>5,014</u>	<u>123,010</u>
 Total expenses	 <u>\$ 377,488</u>	 <u>\$ 46,454</u>	 <u>\$ 13,742</u>	 <u>\$ 437,684</u>

See independent auditor's report and notes to financial statements.

**BEACON HILL VILLAGE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2016**

Operating activities:	
Change in net assets:	\$ 62,140
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Contributions restricted for long-term investment in endowment	(1,150)
Investment loss restricted for long-term investment in endowment	541
Realized and unrealized investment loss	112
Changes in assets and liabilities:	
Accounts receivable	(64)
Pledges receivable	(10,000)
Other assets	(1,428)
Accounts payable	(8,080)
Accrued expenses	(27,640)
Deferred revenue	1,111
Net cash and cash equivalents provided by operating activities	<u>15,542</u>
Investing activity:	
Proceeds from sale of investments, net	1,150
Purchase of investments	(1,150)
Net cash used in investing activity	<u>0</u>
Financing activities	
Proceeds from funder (See Note 6)	25,000
Proceeds from contributions restricted for investment in endowment	1,150
Net cash provided by financing activities	<u>26,150</u>
Net increase (decrease) in cash and cash equivalents	41,692
Cash and cash equivalents, beginning of year	<u>179,079</u>
Cash and cash equivalents, end of year	<u>\$ 220,771</u>

See independent auditor's report and notes to financial statements.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1. Nature of activities:

Beacon Hill Village, Inc. (the Organization) is a private, nonprofit corporation founded by residents of Beacon Hill in Boston, Massachusetts, for elders who live in central Boston neighborhoods to assist them in living their lives to the fullest in their own homes as they grow older. The Organization provides its members access to social and cultural activities, exercise opportunities, household services and adaptive renovations. While the Organization's primary focus is on wellness, partnerships with providers such as Massachusetts General Hospital, Houseworks and other health and home care providers ensure that members have preferred access to home-based assisted living services and medical care. The Organization receives its revenue through dues, program fees, charitable gifts from individuals and foundations and sales of "The Founder's Manual: A How-To Guide for Communities to Develop a Village".

2. Summary of significant accounting policies:

Financial statement presentation:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

The Organization considers all short-term debt securities purchased with a maturity of three months or less, when purchased, to be cash equivalents.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. The company has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on such accounts.

Property and equipment:

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of significant accounting policies (continued):

Property and equipment (continued):

The useful lives of property and equipment for purposes of computing depreciation are:

Equipment	3 years
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Depreciation expense totaled \$0 in 2016.

Investments:

Investments are carried at fair value determined primarily by quoted market prices in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Net, investment income (losses) on invested endowment assets are recorded as temporarily restricted revenue unless permanently restricted by the donor. The Organization currently has no funds with income permanently restricted by the donor.

Fair value:

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, Level 3).

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly, as of the reporting date, and the fair value is determined through the use of a pricing model with observable inputs or other valuation techniques which can be derived principally from or corroborated by observable market data. Level 2 also includes investments valued using the practical expedient method with notice periods for redemption of 90 days or less.

Level 3 inputs are unobservable inputs for the asset or liability supported by little or no market activity whose value is determined using pricing models, discounted cash flows methodologies or similar techniques. The determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of significant accounting policies (continued):

Fair value (continued):

The following is a description of the valuation methodologies used for instruments measured at fair value.

Level 1 Measurements:

Money market funds are valued at the closing price reported by the fund sponsor from an actively traded exchange.

Exchange traded products are valued based on quoted prices from the exchange, are actively traded and have not applied any valuation adjustments.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value nor reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain investments could result in a different fair value measurement at the reporting date.

During the year ended June 30, 2016 there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its statement of financial position or results of operation.

The Organization has adopted socially responsible investment and spending policies, approved by the Board, for investment assets that attempt to provide a predictable stream of funding from its investments, including endowment investments, while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

Investment income (losses) which consist of interests, dividends, realized gains (losses) and unrealized gains (losses) are reported net of related investment expenses in the statement of activities. Net investment income (losses) from invested assets assigned to unrestricted and temporarily restricted net assets are reported as unrestricted revenue. Net, investment income (losses) on invested assets assigned to endowment and permanently restricted net assets are recorded as temporarily restricted revenue unless permanently restricted by the donor. The Organization currently has no funds with income permanently restricted by the donor.

Net investment income (losses) which occur while the carrying values of endowment and permanently restricted net assets have a deficiency are reported as unrestricted revenue.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of significant accounting policies (continued):

Fair value (continued):

The carrying value of financial instruments for which the Organization did not elect the fair value option including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short term maturity of these items.

Classification of net assets:

The Organization's net assets and changes in net assets are required to be reported into three classes; unrestricted, temporarily restricted and permanently restricted; according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets are contributions and assets that are not subject to donor-imposed restrictions or for which restrictions have expired. The Board of Directors has discretionary control over all of these assets. The Board may elect to designate such resources for specific purposes. This designation may be removed at the Board's direction.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditures or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because certain actions are taken which fulfill the restrictions. When a donor 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.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently, but permit the Organization to use or expend part or all of the economic benefits derived from the donated assets. The Organization currently has no net assets reportable as permanently restricted net assets.

Endowment funds:

As of June 30, 2016 the Organization's endowment consists of three funds: two donor-restricted endowment funds and one board-designated fund acting as an endowment. The balance of the general endowment fund is \$186,659 as of June 30, 2016. One of the endowment funds restricts the annual appropriations to be used for the Organization's "membership plus" program. The balance of that fund is \$77,491 as of June 30, 2016. Endowment fund balances are reported as permanently restricted, temporarily restricted or unrestricted in accordance with donor specifications, board designations and applicable law. During 2014 the Organization received a bequest which the Board of Directors designated as a fund acting as an endowment to support the mission of the Organization. The balance of this fund is \$215,454 as of June 30, 2016. Since this is an internal designation and is not donor-restricted, the fund acting as an endowment is classified and reported as unrestricted net assets. Although the fund acting as an endowment is not subject to donor restrictions, the decision to spend its principal requires an absolute majority vote of the Board of Directors.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of significant accounting policies (continued):

Endowment funds (continued):

It is the Board's current policy that up to five percent (5%) of the net assets of the endowment funds, calculated on a rolling three-year average, may be appropriated for expenditures annually. The Board may increase, reduce or suspend this appropriation.

The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanently restricted endowment (b) the original value of subsequent gifts donated to the permanently restricted endowment and (c) accumulations to the permanently restricted endowment made in accordance with the direction of the applicable donor gift instrument. The Organization has no permanently restricted net assets as of June 30, 2016. The remaining portion of the endowment funds, including the corpus and the cumulative net income (loss), is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board, or its designated committee, in a manner consistent with the prudence prescribed in Massachusetts Prudent Management of Institutional Funds Act (MPMIFA).

In accordance with MPMIFA the Organization considers the following factors in making a determination to appropriate or accumulate net investment income on donor-restricted endowment funds: (1) the preservation of the funds, (2) the purpose and long and short-term needs of the Organization and the donor-restricted endowment funds including present and anticipated financial requirements (3) general economic conditions, (4) possible effects of inflation and deflation (5) expected total returns on its investments, (6) other resources of the Organization, (7) applicable state laws and (8) the investment policies of the Organization.

Annually, the Board determines the amount of the endowment fund that should be appropriated in accordance with the Organization's policies and procedures. The Board may temporarily increase, reduce or suspend this appropriation during the year. The funds are transferred to non-restricted accounts when appropriated. \$0 were appropriated for the year ended June 30, 2016.

Recognition of donor restrictions:

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions and pledges intended for use in future periods are recorded as temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

2. Summary of significant accounting policies (continued):

Contributions, gifts and grants:

The Organization records contributions, gifts and grants as receivables and revenue. The organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Pledges are recorded as contribution revenue when the pledge is verified or received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value, and as of the date the gift is received. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

During 2016, a significant amount of contributions were provided by a few contributors. It is always considered reasonably possible that contributors or customers might be lost in the near term.

Membership fees:

Revenues from membership fees are recognized at the beginning of the members' membership period. There is no obligation for the Organization to return such fees if members discontinue their membership prior to the end of the term. Accounts receivable consists primarily of membership fees receivable from members. Management believes all membership fees are collectable. Deferred revenue consists of payments received prior to the start of the membership period.

Income taxes:

The Organization is a tax-exempt entity, qualifying under section 501(c)(3) of the Internal Revenue Code. The tax exempt status qualifies for both Federal and State taxing authorities, therefore, there is no provision for income taxes. The Organization has not taken any tax positions which would be classified as uncertain. The Organization files returns of organizations exempt from income tax with US and Massachusetts jurisdictions. The years 2012 through 2016 are open years for these jurisdictions.

Advertising:

The company expenses advertising costs as incurred.

Functional expenses:

The cost of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services benefitted.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

3. Pledges receivable:

At June 30, pledges receivable consisted of the following:

		<u>2016</u>	
Unconditional pledges	\$	10,000	
Discount to net present value		<u>0</u>	
	\$	<u><u>10,000</u></u>	

Management believes the pledges receivable as of June 30, 2016 are collectable.

4. Investments:

Investments of the Organization are stated at fair value (See Note 2).

At June 30, investments consisted of the following:

	<u>Fair Value</u>		<u>Quoted Prices In Active Markets for Identical Assets (Level1)</u>
June 30, 2016			
Investments:			
Money market funds	\$	830	\$ 830
Exchange traded products		<u>97,408</u>	<u>97,408</u>
Total	\$	<u><u>98,238</u></u>	\$ <u><u>98,238</u></u>
Endowment Investments:			
Money market funds	\$	4,053	\$ 4,053
Exchange related products		<u>475,551</u>	<u>475,551</u>
Total	\$	<u><u>479,604</u></u>	\$ <u><u>479,604</u></u>

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

5. Endowment Funds:

The Organization's endowment consists of three funds: two donor-restricted endowment funds and one board-designated fund acting as an endowment. Endowment fund balances are classified and reported as permanently restricted, temporarily restricted, or unrestricted, in accordance with donor specifications, board designation and state law. (See Note 2).

Endowment net assets composition by type of fund:

As of June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:	\$ 0	\$ 177,150	\$ 177,150
Accumulated Earnings	<u>0</u>	<u>87,000</u>	<u>87,000</u>
Donor-restricted endowment funds	0	264,150	264,150
Board designated fund functioning as an endowment	<u>215,454</u>	<u>0</u>	<u>215,454</u>
Total endowments	\$ <u>215,454</u>	\$ <u>264,150</u>	\$ <u>479,604</u>

Changes in Endowment net assets for the years ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 215,697	\$ 263,298	\$ 478,995
Investment income (loss)	(243)	(298)	(541)
Contributions	0	1,150	1,150
Appropriation of accumulated endowment income	<u>0</u>	<u>0</u>	<u>0</u>
Endowment net assets, June 30, 2016	\$ <u>215,454</u>	\$ <u>264,150</u>	\$ <u>479,604</u>

6. Accounts payable:

Accounts payable at June 30, 2016 includes a \$25,000 donation received from a funder which the organization was advised, after the close of the fiscal year, had not been properly authorized by the funder. This amount was returned after the close of the fiscal year.

BEACON HILL VILLAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7. Restrictions on net assets:

Restricted net assets as of June 30, 2016 are available for the following purposes:

	<u>2016</u>
Specific purpose of temporary restrictions:	
Membership Plus	\$ 40,815
Membership Plus for Women	21,192
Membership Plus with residency	34,116
Endowment	<u>264,150</u>
Total temporarily restricted net assets	<u>\$ 360,031</u>

8. Investment income:

The following schedule summarizes the investment income in the statement of activities:

	<u>2016</u>
Interest and dividend income	\$ 10,652
Net realized and unrealized gains (losses)	<u>(11,082)</u>
Total investment income	<u>\$ (430)</u>

9. Net assets released from restrictions:

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors are as follows:

	<u>2016</u>
Purpose of restriction accomplished:	
Membership Plus	\$ 16,374
Membership Plus for Women	20,466
Membership Plus with residency	<u>12,858</u>
Total restrictions released	<u>\$ 49,698</u>

10. Operating leases:

The Organization rents its premises in Boston, Massachusetts under an operating lease which ended on May 31, 2015 and is currently a tenant-at-will.

Rent expense totaled approximately \$28,000 in 2016.

11. Subsequent events:

The Organization has evaluated subsequent events through October 24 2016, the date which the financial statements were ready to be issued.