

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Review)

JUNE 30, 2016

PLACE OF PROMISE, INC.
LOWELL, MASSACHUSETTS
(A Non-Profit Corporation)

C O N T E N T S

Independent Accountant's Review 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	6-9

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To the Board of Directors of
Place of Promise, Inc.
Lowell, Massachusetts

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of Place of Promise, Inc. (a nonprofit organization), which comprise the statement 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.


Cocio & Richardson
Certified Public Accountant

May 5, 2017

PLACE OF PROMISE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2016

ASSETS

CURRENT ASSETS:

Cash - Operations	\$ 165,959
Cash - Restricted	9,480
Cash - Held in Trust (Note 5)	44,883
Total Cash	<u>220,322</u>
Investments (Note 2 & 3)	14,119
Loan Receivable (Note 6)	11,093
Prepaid expenses	6,904
Total Current Assets	<u>252,438</u>

PROPERTY AND EQUIPMENT (Note 2 & 4):

Land	174,000
Buildings	727,366
Building Improvements	29,993
Automobiles	32,472
	<u>963,831</u>
Less - Accumulated Depreciation	272,485
Net Property and Equipment	<u>691,346</u>

TOTAL ASSETS \$ 943,784

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 1,795
Accrued Expenses	6,800
Deposits Held in Trust (Note 5)	44,883
Equity Line of Credit Payable (Note 8)	20,000
Mortgages Payable - current portion	8,107
Total Current Liabilities	<u>81,585</u>

LONG TERM LIABILITIES:

Mortgages Payable - long term (Note 7)	<u>201,385</u>
Total Liabilities	282,970

NET ASSETS (Note 2 & 10):

Temporarily Restricted Net Assets	9,480
Unrestricted Net Assets	651,334
Total Net Assets	<u>660,814</u>

TOTAL LIABILITIES AND NET ASSETS \$ 943,784

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND GAINS (Note 2, 3 & 10):			
Contributions	\$ 369,086	\$ 26,010	\$ 395,096
Contributions - Noncash	4,409		4,409
Program Fees	31,812		31,812
Investment Income	488		488
Gain (Loss) on Investments-Unrealized	(8,904)		(8,904)
Total Revenues and Gains	<u>396,891</u>	<u>26,010</u>	<u>422,901</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 10)	<u>16,530</u>	<u>(16,530)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	413,421	9,480	422,901
EXPENSES:			
Program	289,495		289,495
General and Administrative	95,926		95,926
Fundraising	<u>7,770</u>		<u>7,770</u>
Total Expenses	<u>393,191</u>		<u>393,191</u>
CHANGE IN NET ASSETS	20,230	9,480	29,710
NET ASSETS - BEGINNING OF YEAR	<u>631,104</u>	<u>0</u>	<u>631,104</u>
NET ASSETS - END OF YEAR	<u>\$ 651,334</u>	<u>\$ 9,480</u>	<u>\$ 660,814</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2016

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 144,412	\$ 73,733		\$ 218,145
Employee Benefits	4,195	555		4,750
Payroll Taxes	14,692	7,501		22,193
Food & Supplies	7,116			7,116
Other Program Expenses	11,442			11,442
Auto Expense	8,249	1,020		9,269
Depreciation	30,026			30,026
Insurance	22,782	2,528		25,310
Intern Expenses	2,338			2,338
Education/Training	5,966			5,966
Repairs & Maintenance	3,524			3,524
Taxes & Condo Fees	3,279			3,279
Utilities	15,059			15,059
Telephone	5,939	1,048		6,987
Other Administrative		4,988		4,988
Interest	10,476	901		11,377
Professional Services		3,652		3,652
Newsletter & Printing			\$ 7,770	7,770
	<u>\$ 289,495</u>	<u>\$ 95,926</u>	<u>\$ 7,770</u>	<u>\$ 393,191</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

Increase (Decrease) in Cash & Cash Equivalents	
Change in Net Assets	\$ 654
Non-Cash Items Related to Operations Included in Net Assets:	
Depreciation	30,026
Unrealized Loss on Investments	37,960
Cash Flows from Operating Activities:	
Change in Prepaid Expenses	7,559
Change in Accounts Payable & Accrued Expenses	3,216
Change in Deposits Held in Trust	<u>(11,882)</u>
Net Cash Provided by Operating Activities	67,533
Cash Flows from Investing Activities:	
Return of Capital - Securities	438
Purchase of Investments	(15,043)
Loan provided to Employee	<u>(343)</u>
Net Cash (Used in) Investing Activities	(14,948)
Cash Flows from Financing Activities:	
Mortgage Principal Payments	<u>(8,024)</u>
Net Cash (Used in) Financing Activities	<u>(8,024)</u>
Net Change in Cash	44,561
Cash - Beginning of Year	<u>175,761</u>
Cash - End of Year	<u>\$ 220,322</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	\$ 11,377

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2016

1. Organization and Nature of Activities

Place of Promise, Inc. (the Organization) was formed for the purpose of providing integrated, supportive services, in community, addressing physical, emotional, and relational needs of the people of greater Boston, with the goal of encouraging each individual to reach his or her fullest potential in Christ. The purpose is fulfilled by operating and maintaining Christ-centered family-style residences, by mentoring and mentor training. Through these programs people receive guidance and assistance for having needs met. The Organization's primary source of support is contributions from individuals and churches.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

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

B. Property, Plant and Equipment

The Organization follows a policy of capitalizing, at cost, all expenditures for fixed assets in excess of \$500 having an estimated useful life greater than two years. Property, plant and equipment is recorded at cost and depreciated on a straight-line basis over their estimated useful lives of three to thirty years. Depreciation for the year ended June 30, 2016 was \$30,026.

C. Accounting for Investments

The Organization follows ASC 958-320 for investments in debt and equity securities with readily determinable fair values which are measured at fair value upon acquisition if contributed or at cost if purchased. Gains, losses, dividends, interest, and other related income from these securities are reported in investment income in the Statement of Activities. Securities received from donors have historically been held only for short term investment.

D. Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

E. Income Taxes

The Corporation qualifies as a tax-exempt organization other than a private foundation under section 501 (c) (3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2016

2. Summary of Significant Accounting Policies – (Continued)

F. Functional Allocation of Expenses

Expenses are charged directly to Program or Support in general categories based on specific identification. Certain employee benefits and payroll taxes have been allocated based on salary expenditures.

G. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

H. Contributions

The primary source of revenue is donations from individuals, churches, and other supporters. In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions that have donor designated restrictions are classified as temporarily restricted assets until they are disbursed for the intended purpose. No contributions have been received with donor imposed restrictions that would result in permanently restricted net assets.

I. Financial Statement Presentation

The Organization follows ASC 958 which establishes standards for external financial reporting by Not-for-Profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to donor imposed restrictions as unrestricted, temporarily restricted, or permanently restricted.

3. Investments – Marketable Equity Securities

Investments are stated at fair value and consist primarily of marketable equity securities as follows:

	<u>COST</u>	<u>LEVEL 1 FAIR VALUE</u>	<u>UNREALIZED APPRECIATION</u>
Equity Securities	\$ 40,156	\$14,119	(\$26,037)

Investment income consisted of dividend income of \$435 and unrealized loss of (\$8,904) which are considered unrestricted. \$15,043 of equity securities were purchased during the fiscal year, while no proceeds were received from the sale of the marketable equity securities.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2016

4. Property and Equipment

Property owned by the Organization includes five residential facilities in the greater Boston, MA area. Facilities are intended to provide an integrated family-style residence and transitional condominium unit-style residences with a potential future option-to-buy for successful residents of the program.

5. Cash Held for Residents

During fiscal year June 2016, the Organization held certain cash balances for the benefit and convenience of the residents. The resident deposits were included in Cash but were not available for use in operations. The sum of \$44,883 in resident deposits was still being held in trust at the close of the fiscal year.

6. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The loan is deemed 100% collectible.

7. Mortgages Payable

In March, 2006 a condominium residence was purchased with a loan of \$145,000 payable within 30 years at a fixed rate of 5.25%. Monthly payments of \$800.70 are payable through the maturity date in March, 2036. The condominium serves as collateral for the mortgage. Loan principal payments are due and payable for future fiscal years as follows:

6/30/17	\$3,498	6/30/19	\$3,884	6/30/21	\$ 4,314
6/30/18	\$3,686	6/30/20	\$4,093	Thereafter	\$98,505

In March, 2011 a residence was purchased with a loan of \$115,000 payable within 20 years at a fixed rate of 5.75%. Monthly payments of \$812.97 are payable through the maturity date in March, 2030. The residence serves as collateral for the mortgage. Loan principal payments are due and payable for future fiscal years as follows:

6/30/17	\$4,609	6/30/19	\$5,169	6/30/21	\$ 5,797
6/30/18	\$4,881	6/30/20	\$5,474	Thereafter	\$65,582

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2016

8. Equity Line of Credit

In November, 2006 the Organization executed and established a \$40,000 equity line of credit from a local bank for working capital purposes. Required payments on the line of credit are interest only at prime plus one percent and secured by a second mortgage on one of the Lowell residential properties. There is a \$20,000 balance payable on the line of credit at June 30, 2016.

9. Prior Period Adjustment – Net Assets

The fair market value of the marketable equity securities was overstated in the fiscal year June, 2014 financial statements due to a clerical error. The error was carried forward until the current year when it was discovered. The beginning of the year net assets have been changed \$29,056 from \$660,160 to the proper amount of \$631,104.

10. Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

Executive Director Compensation	\$13,915
Back to School Program	300
Kids of Promise Program	1,050
Block Party Costs	200
Reception	100
Books	45
Women's Retreat	300
Resident Support	100
Summer Camp & Garage Improvements	<u>520</u>
Net Assets released from Restrictions	\$16,530

Temporarily restricted net assets are available for the following purposes:

Summer Camp & Garage Improvements	\$ 9,480
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11. Subsequent Events

The corporate management has reviewed subsequent events through May 5, 2017, the date the financial statements were available to be issued.