

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Review)

JUNE 30, 2019

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

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Cocio & Richardson

Certified Public Accountants
21 Franklin Street • Quincy, MA 02169
(617) 773-5875 • Fax (617) 773-7898

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, 2019, 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 entity 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 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.



Certified Public Accountant
November 22, 2019

PLACE OF PROMISE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS:

Cash - Operations	\$ 101,802
Cash - Held in Trust (Note 7)	<u>64,505</u>
Total Cash	166,307
Investments (Note 2 & 6)	0
Loan Receivable (Note 8)	5,350
Prepaid expenses	<u>4,841</u>
Total Current Assets	176,498

PROPERTY AND EQUIPMENT (Note 2 & 5.):

Land	174,000
Buildings	727,366
Building Improvements	198,942
Automobiles	<u>32,472</u>
	1,132,780
Less - Accumulated Depreciation	<u>(367,351)</u>
Net Property and Equipment	<u>765,429</u>

TOTAL ASSETS \$ 941,927

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 2,808
Accrued Expenses	3,950
Deposits Held in Trust (Note 7)	64,505
Equity Line of Credit Payable (Note 10)	16,483
Mortgages Payable - current portion	<u>9,567</u>
Total Current Liabilities	97,313

LONG TERM LIABILITIES:

Mortgages Payable - long term (Note 9)	<u>172,122</u>
Total Liabilities	269,435

NET ASSETS (Note 2 & 11):

Without Donor Restrictions	670,762
With Donor Restrictions	<u>1,730</u>
Total Net Assets	<u>672,492</u>

TOTAL LIABILITIES AND NET ASSETS \$ 941,927

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND GAINS (Note 2, 6 & 11):			
Contributions	\$ 295,705	\$ 34,345	\$ 330,050
In-Kind Contributions (Note 12)	120,000		120,000
Program Fees	66,254		66,254
Investment Income	756		756
Gain (Loss) on Investments-Realized	(15,106)		(15,106)
Gain (Loss) on Investments-Unrealized	15,336		15,336
Total Revenues and Gains	<u>482,945</u>	<u>34,345</u>	<u>517,290</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 11)	<u>53,247</u>	<u>(53,247)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	536,192	(18,902)	517,290
EXPENSES:			
Program	291,298		291,298
General and Administrative	50,269		50,269
Fundraising	<u>16,368</u>		<u>16,368</u>
Total Expenses	<u>357,935</u>		<u>357,935</u>
CHANGE IN NET ASSETS	178,257	(18,902)	159,355
NET ASSETS - BEGINNING OF YEAR	<u>492,505</u>	<u>20,632</u>	<u>513,137</u>
NET ASSETS - END OF YEAR	<u>\$ 670,762</u>	<u>\$ 1,730</u>	<u>\$ 672,492</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 151,551	\$ 33,267	\$ 0	\$ 184,819
Employee Benefits	11,666	0	0	11,666
Payroll Taxes	13,824	3,035	0	16,858
Food & Supplies	3,762	0	0	3,762
Other Program Expenses	7,018	0	0	7,018
Auto Expense	6,382	336	0	6,718
Depreciation	33,166	0	0	33,166
Insurance	14,324	2,191	0	16,515
Education/Training	876	0	0	876
Repairs & Maintenance	5,005	0	0	5,005
Taxes & Condo Fees	1,765	0	0	1,765
Utilities	26,090	0	0	26,090
Telephone	6,707	353	0	7,060
Other Administrative	0	5,074	4,443	9,517
Interest	9,162	2,013	0	11,175
Professional Services	0	4,000	1,916	5,916
Newsletter & Printing	0	0	10,009	10,009
	<u>\$ 291,298</u>	<u>\$ 50,269</u>	<u>\$ 16,368</u>	<u>\$ 357,935</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

Increase (Decrease) in Cash & Cash Equivalents	
Change in Net Assets	\$ 159,355
Non-Cash Items Related to Operations Included in Net Assets:	
In-Kind Contributions	(120,000)
Depreciation	33,166
Unrealized Gain on Investments	(15,336)
Realized Loss on Sale of Investments	15,106
Cash Flows from Operating Activities:	
Change in Prepaid Expenses	385
Change in Accounts Payable & Accrued Expenses	790
Change in Deposits Held in Trust	<u>21,897</u>
Net Cash Provided by Operating Activities	95,363
Cash Flows from Investing Activities:	
Sales of Investments Proceeds	36,467
Purchase of Property and Equipment	(32,466)
Loan Repayment from Employee	<u>1,200</u>
Net Cash Provided by Investing Activities	5,201
Cash Flows from Financing Activities:	
Equity Line of Credit Principal Payments	(20,000)
Mortgage Principal Payments	<u>(9,338)</u>
Net Cash (Used in) Financing Activities	<u>(29,338)</u>
Net Change in Cash	71,226
Cash - Beginning of Year	<u>95,081</u>
Cash - End of Year	<u><u>\$ 166,307</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	\$ 11,175

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2019

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, 2019 was \$33,166.

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.

F. Contributions

The primary source of revenue is donations from individuals, churches, and other supporters. In accordance with ASC 958, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions that have donor designated restrictions are classified as with donor restrictions until they are disbursed for the intended purpose.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies – (Continued)

G. 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.

H. Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets the governing board has designated, from net assets without donor restrictions, for an operating or other board-designated purpose.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

I. Fair Value Measurements

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

When available, the organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. All measurements of fair value during the fiscal year and as of June 30, 2019 used Level 1 inputs.

The primary uses of fair value measures in the organization's financial statements are the initial measurement of noncash gifts, including gifts of investment assets, and the recurring measurement of short-term investments.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies – (Continued)

J. 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.

3. Adoption of Recent Accounting Guidance

During the year ended June 30, 2019 the Organization implemented ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, the beginning balances of the net assets have been re-assessed and retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity (Note 4) and changed the presentation of the net assets section of the statement of financial position.

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	<u>\$101,802</u>
Total	\$101,802

5. 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.

6. 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	\$ 1,423	\$ -0-	(\$ 1,423)

Investment income consisted of interest and dividend income of \$756, unrealized gain of \$15,336, and realized loss of (\$15,106), which are considered unrestricted. No equity securities were purchased during the fiscal year none were donated. Proceeds of \$36,467 were received from the sale of marketable equity securities.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2019

7. Cash Held in Trust for Residents

During fiscal year June 2019, 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 total of \$64,505 of resident deposits were still being held in trust at the close of the fiscal year.

8. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The remaining loan balance of \$5,350 is deemed 100% collectible.

9. 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:

6/30/20	\$4,093	6/30/22	\$4,545	6/30/24	\$ 5,025
6/30/21	\$4,313	6/30/23	\$4,790	Thereafter	\$82,937

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:

6/30/20	\$5,474	6/30/22	\$6,139	6/30/24	\$ 6,888
6/30/21	\$5,797	6/30/23	\$6,502	Thereafter	\$45,186

10. 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 \$16,483 balance payable on the line of credit at June 30, 2019.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2019

11. Net Assets With Donor Restrictions

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

Education Funds	\$ 4,748
Staff Development	2,019
Garage Renovation	14,865
Compensation Support	13,945
Kids of Promise	2,450
Adult Residential Program	15,000
Furniture Replacement	<u>220</u>
Net Assets released from Restrictions	\$ 53,247

Net assets with donor restrictions of \$1,730 are available for the following purposes:

Motor Vehicle	\$ <u>1,730</u>
Donor Restricted Net Assets Available	\$ 1,730

12. In-Kind Contributions

The Organization was the recipient of an In-Kind Contribution of fire sprinkler and alarm systems at two residential properties. The multiple year project, provided by volunteers of a local union associated with the National Fire Sprinkler Association, was completed and made operational in late 2018. The estimated value for the design, materials, and fully compliant fire protection system is \$120,000 and capitalized as a building improvement.

13. Subsequent Events

The corporate management has reviewed subsequent events through November 22, 2019, the date the financial statements were available to be issued.