

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(AUDIT)

JUNE 30, 2021

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

C O N T E N T S

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11

Brent Richardson, CPA

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 AUDITOR'S REPORT

Opinion

I have audited the accompanying financial statements of Place of Promise, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Place of Promise, Inc. as of June 30, 2021, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Place of Promise, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Place of Promise, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Place of Promise, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Place of Promise, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



Brent Richardson, CPA
Quincy, Massachusetts
April 26, 2022

PLACE OF PROMISE, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2021

ASSETS

CURRENT ASSETS:

Cash - Operations & Restricted	\$ 606,063
Cash - Held in Trust (Note 8)	8,040
Total Cash and Cash Equivalents and Restricted Cash	614,103
Loan Receivable (Note 5)	3,900
Prepaid expenses	5,849
Total Current Assets	623,852

PROPERTY AND EQUIPMENT (Note 2 & 6):

Land	147,000
Buildings	578,315
Building Improvements	228,539
Automobiles	20,648
	974,502
Less - Accumulated Depreciation	(346,036)
Net Property and Equipment	628,466

TOTAL ASSETS \$ 1,252,318

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 2,292
Accrued Expenses	7,300
Deposits Held in Trust (Note 8)	8,040
Loan Payable - SBA (Note 9)	37,900
Total Current Liabilities	55,532

Total Liabilities 55,532

NET ASSETS (Note 2 & 13):

Without Donor Restrictions	1,189,408
With Donor Restrictions	7,378
Total Net Assets	1,196,786

TOTAL LIABILITIES AND NET ASSETS \$ 1,252,318

The accompanying Notes are an integral part of the financial statements.

PLACE OF PROMISE, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND GAINS (Note 2 & 7):			
Contributions (Note 12)	\$ 592,074	\$ 69,597	\$ 661,671
Program Fees	59,456		59,456
Investment Income	64		64
Forgiveness of SBA Loan (Note 9)	33,600		33,600
Total Revenues and Gains	<u>685,194</u>	<u>69,597</u>	<u>754,791</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 13)	<u>62,429</u>	<u>(62,429)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	747,623	7,168	754,791
EXPENSES:			
Program	274,620		274,620
General and Administrative	51,633		51,633
Fundraising	<u>14,458</u>		<u>14,458</u>
Total Expenses	<u>340,711</u>		<u>340,711</u>
CHANGE IN NET ASSETS	406,912	7,168	414,080
NET ASSETS - BEGINNING OF YEAR	<u>782,496</u>	<u>210</u>	<u>782,706</u>
NET ASSETS - END OF YEAR	<u>\$ 1,189,408</u>	<u>\$ 7,378</u>	<u>\$ 1,196,786</u>

The accompanying Notes are an integral part of the financial statements.

PLACE OF PROMISE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 164,652	\$ 31,642	\$ 0	\$ 196,294
Employee Benefits	11,612	0	0	11,612
Payroll Taxes	11,483	2,897	0	14,380
Food & Supplies	1,022	0	0	1,022
Other Program Expenses	3,047	0	0	3,047
Auto Expense	2,234	118	0	2,352
Depreciation	29,753	0	0	29,753
Insurance	16,865	2,389	0	19,254
Education/Training	621	0	0	621
Repairs & Maintenance	3,245	0	0	3,245
Utilities	20,854	0	0	20,854
Telephone	7,563	986	0	8,549
Other Administrative	0	6,098	0	6,098
Interest	1,669	203	0	1,872
Professional Services	0	7,300	0	7,300
Newsletter & Printing	<u>0</u>	<u>0</u>	<u>14,458</u>	<u>14,458</u>
	<u>\$ 274,620</u>	<u>\$ 51,633</u>	<u>\$ 14,458</u>	<u>\$ 340,711</u>

The accompanying Notes are an integral part of the financial statements.

PLACE OF PROMISE, INC.
STATEMENT OF CASH FLOWS

For the year ended June 30, 2021

Increase (Decrease) in Cash & Cash Equivalents	
Cash Flows from Operating Activities:	
Change in Net Assets	\$ 414,080
Adjustments needed to reconcile net cash flows:	
Non-Cash Items Related to Operations Included in Net Assets:	
Depreciation	29,753
SBA Loan Forgiven	(33,600)
Changes in current assets and liabilities:	
Change in Prepaid Expenses	642
Change in Accounts Payable & Accrued Expenses	2,970
Change in Deposits Held in Trust	<u>(8,678)</u>
Net Cash Provided by Operating Activities	405,167
Cash Flows from Investing Activities:	
Purchase of Property and Equipment	(32,197)
Loan Repayment from Employee	<u>550</u>
Net Cash (Used in) Investing Activities	(31,647)
Cash Flows from Financing Activities:	
Proceeds of Loan Payable - SBA	37,900
Mortgage Principal Payments	<u>(70,260)</u>
Net Cash (Used in) Financing Activities	<u>(32,360)</u>
Net Change in Cash	341,160
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>272,943</u>
Cash and Cash Equivalents and Restricted Cash - End of Year	\$ <u><u>614,103</u></u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	\$ 1,872

The accompanying Notes are an integral part of the financial statements.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2021

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, 2021 was \$29,753.

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. The Corporation has no uncertain tax positions during the year ended June 30, 2021. In addition, tax returns for years ended prior to June 30, 2018 are no longer subject to review by the Internal Revenue Service.

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, 2021

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, 2021 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.

J. Revenue Recognition

Revenue for program fees is recognized when services have been rendered.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2021

2. Summary of Significant Accounting Policies – (Continued)

K. 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, 2021, the Corporation implemented ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarified and improved current guidance to determine whether certain transactions, such as contracts or grants, constitute either a contribution or an exchange transaction (ie ASU 606). The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Accordingly, the beginning balances of the net assets, receivables, and payables were re-assessed but no adjustment was required.

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>\$598,685</u>
Total	\$598,685

5. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The remaining loan balance of \$3,900 is deemed 100% collectible.

6. Property and Equipment

Property owned by the Organization includes four residential facilities in the greater Boston, MA area. Facilities are intended to provide integrated family-style residences.

7. Investments – Marketable Equity Securities

Investments are stated at fair value. Historically investments have consisted primarily of marketable equity securities, but none are held as of June 30, 2021. Investment income consisted of interest income of \$64, which is considered unrestricted. No equity securities were purchased during the fiscal year, and none were donated.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2021

8. Cash Held in Trust for Residents

During fiscal year June 2021, 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 \$8,040 of resident deposits were still being held in trust at the close of the fiscal year.

9. Loan Payable – Paycheck Protection Program – SBA

In May, 2020, the Organization received a loan through the Small Business Administration of \$33,600 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The funds were provided for the continuity and stability of payroll, group insurance benefits, and certain limited rent, utilities, and mortgage interest payments. The loan of \$33,600 was forgiven in April, 2021 and thus reported as revenue within the Statement of Activities.

In February, 2021, the Organization received a second Paycheck Protection Program loan through the Small Business Administration of \$37,900 as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Funds were again provided for the continuity and stability of payroll, group insurance benefits, and certain limited other expenses. Funds used for such purposes were eligible for forgiveness – which was subsequently granted in August, 2021. The \$37,900 loan payable is reported as a liability within the June 30, 2021 Statement of Financial Position and will be taken into revenue in fiscal year June, 2022.

10. Mortgage Payable

In March, 2011 a residence was purchased with a loan of \$115,000 payable within 20 years at a rate of 3.61%. Monthly payments of \$715 were payable through the maturity date in March, 2030. The residence served as collateral for the mortgage. In April, 2021, the Organization paid the loan principal in full and the mortgage was discharged. No loan balances or future loan principal payments existed on real estate as of June 30, 2021.

11. 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 no balance payable on the line of credit at June 30, 2021.

12. Major Benefactors

During the year ended June, 2021, two major benefactors donated a total of \$272,000 of cash. The donations were available for general operations (\$264,000) and with donor restriction (\$8,000) building improvements for which the restrictions were satisfied by June 30, 2021.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2021

13. 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:

Employee Support	\$27,627
Holiday Dinner	250
Support of Resident Expenses	1,227
Kids of Promise	5,325
Adult Residential Program	19,000
Building Improvements	<u>9,000</u>
Net Assets released from Restrictions	<u>\$62,429</u>

Net assets with donor restrictions of \$7,378 are available for the following purposes:

Employee Support	\$1,218
Student Scholarships	5,950
Motor Vehicle	<u>210</u>
Donor Restricted Net Assets Available	<u>\$7,378</u>

14. Concentrations

The Organization maintains cash accounts with banks that are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the course of the year, balances can exceed this amount. At June 30 2021, the Organization cash balances in excess of \$250,000 totaled \$357,591. Management has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization operates one type of program within one general area – the greater Lowell, MA.

15. Subsequent Events

The corporate management has reviewed subsequent events through April 26, 2022, the date the financial statements were available to be issued.

The outbreak of the novel coronavirus disease (COVID-19) may affect the Organization's operations and finances. The ultimate disruption which may be caused by COVID-19 is very uncertain. However, it may result in a material adverse impact on the Place of Promise, Inc.'s financial position, operations, and cash flows. The specific impact is not readily determinable, and the financial statements do not include any adjustments that might result from this uncertainty.