

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(AUDIT)

JUNE 30, 2022

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

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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, 2022, and the related statements of activities, functional expenses, 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, 2022, 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
February 3, 2023

PLACE OF PROMISE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

ASSETS

CURRENT ASSETS:

Cash - Operations & Restricted	\$ 888,763
Cash - Held in Trust (Note 7)	4,478
Total Cash and Cash Equivalents and Restricted Cash	<u>893,241</u>
Loan Receivable (Note 4)	3,300
Prepaid expenses	6,429
Total Current Assets	<u>902,970</u>

PROPERTY AND EQUIPMENT (Note 2 & 5):

Land	147,000
Buildings	578,315
Building Improvements	228,539
Automobiles	20,648
	<u>974,502</u>
Less - Accumulated Depreciation	(377,879)
Net Property and Equipment	<u>596,623</u>

TOTAL ASSETS \$ 1,499,593

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 3,917
Accrued Expenses	7,700
Deposits Held in Trust (Note 7)	4,478
Total Current Liabilities	<u>16,095</u>

Total Liabilities 16,095

NET ASSETS (Note 2 & 11):

Without Donor Restrictions	1,480,150
With Donor Restrictions	3,348
Total Net Assets	<u>1,483,498</u>

TOTAL LIABILITIES AND NET ASSETS \$ 1,499,593

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

PLACE OF PROMISE, INC.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (Note 2, 8, & 10):			
Contributions	\$ 450,907	\$ 84,340	\$ 535,247
Program Fees	68,307		68,307
Investment Income	88		88
Forgiveness of SBA Loan	37,900		37,900
Total Revenues and Gains	557,202	84,340	641,542
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 11)	88,370	(88,370)	0
Total Revenue, Gains, and Other Support	645,572	(4,030)	641,542
EXPENSES:			
Program	287,742		287,742
General and Administrative	50,837		50,837
Fundraising	16,250		16,250
Total Expenses	354,829		354,829
CHANGE IN NET ASSETS	290,743	(4,030)	286,713
NET ASSETS - BEGINNING OF YEAR	1,189,407	7,378	1,196,785
NET ASSETS - END OF YEAR	\$ 1,480,150	\$ 3,348	\$ 1,483,498

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, 2022

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 167,306	\$ 30,833	\$ 0	\$ 198,139
Employee Benefits	6,350	0	0	6,350
Payroll Taxes	10,864	2,459	0	13,323
Food & Supplies	2,243	0	0	2,243
Other Program Expenses	9,485	0	0	9,485
Auto Expense	4,324	227	0	4,551
Depreciation	31,843	0	0	31,843
Insurance	17,660	2,551	0	20,211
Education/Training	145	0	0	145
Repairs & Maintenance	3,818	0	0	3,818
Utilities	28,687	0	0	28,687
Telephone	5,017	264	0	5,281
Other Administrative	0	6,803	0	6,803
Professional Services	0	7,700	0	7,700
Newsletter & Printing	<u>0</u>	<u>0</u>	<u>16,250</u>	<u>16,250</u>
	<u>\$ 287,742</u>	<u>\$ 50,837</u>	<u>\$ 16,250</u>	<u>\$ 354,829</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, 2022

Increase (Decrease) in Cash & Cash Equivalents	
Cash Flows from Operating Activities:	
Change in Net Assets	\$ 286,712
Adjustments needed to reconcile net cash flows:	
Non-Cash Items Related to Operations Included in Net Assets:	
Depreciation	31,843
SBA Loan Forgiven	(37,900)
Changes in current assets and liabilities:	
Change in Prepaid Expenses	(580)
Change in Accounts Payable & Accrued Expenses	2,025
Change in Deposits Held in Trust	<u>(3,562)</u>
Net Cash Provided by Operating Activities	278,538
Cash Flows from Investing Activities:	
Loan Repayment from Employee	<u>600</u>
Net Cash (Used in) Investing Activities	600
	<hr/>
Net Change in Cash	279,138
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>614,103</u>
Cash and Cash Equivalents and Restricted Cash - End of Year	<u><u>\$ 893,241</u></u>

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

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2022

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, 2022 was \$31,843.

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, 2022. In addition, tax returns for years ended prior to June 30, 2019 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, 2022

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, 2022 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, 2022

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. 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>\$888,763</u>
Total	\$888,763

4. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The remaining loan balance of \$3,300 is deemed 100% collectible.

5. 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.

6. 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, 2022. Investment income consisted of interest income of \$88, which is considered unrestricted. No equity securities were purchased or owned during the fiscal year, and none were donated.

7. Cash Held in Trust for Residents

During fiscal year June 2022, 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 \$4,478 of resident deposits were being held in trust at the close of the fiscal year.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2022

8. Government Grant – SBA Loan Forgiveness Revenue

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 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 prior year loan is reported as revenue within the June 30, 2022 Statement of Activities.

9. 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, 2022.

10. Major Benefactors

During the year ended June, 2022, three major benefactors donated a total of \$109,516 of cash. The donations were available for general operations (\$108,700) and with donor restriction (\$816 - Kids of Promise) for which the restrictions were satisfied by June 30, 2022.

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:

Employee Support	\$ 24,700
Adult Resident Staff Expansion	21,000
Kids of Promise	12,291
Student Scholarships	8,925
Adult Residential Program	19,150
Resident Vaccines	304
Building Improvements	<u>2,000</u>
Net Assets released from Restrictions	\$ 88,370

Net assets with donor restrictions of \$3,348 are available for the following purposes:

Employee Support	\$ 3,138
Motor Vehicle	<u>210</u>
Donor Restricted Net Assets Available	\$ 3,348

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2022

12. 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 2022, the Organization cash balances in excess of \$250,000 totaled \$185,161. 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.

13. Subsequent Events

The corporate management has reviewed subsequent events through February 3, 2023, 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.