



**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

FAMILYAID BOSTON, INC.

Contents
June 30, 2019 and 2018

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 18



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpcpa.com

Independent Auditor's Report

To the Board of Directors of
FamilyAid Boston, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of FamilyAid Boston, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FamilyAid Boston, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Alexander, Cronson, Fenning & Co., P.C.'.

Boston, Massachusetts
October 31, 2019

FAMILYAID BOSTON, INC.Statements of Financial Position
June 30, 2019 and 2018

Assets	2019	2018
Current Assets:		
Cash	\$ 802,977	\$ 649,549
Accounts receivable, net of allowance for doubtful accounts of \$14,372 and \$11,302 as of June 30, 2019 and 2018, respectively	832,210	575,482
Prepaid expenses	53,106	40,591
Total current assets	<u>1,688,293</u>	<u>1,265,622</u>
Investments	<u>2,643,430</u>	<u>2,707,149</u>
Property and Equipment:		
Land	47,000	47,000
Building and building improvements	2,145,197	2,145,197
Furniture and fixtures	93,011	93,011
Office equipment	102,209	82,214
	<u>2,387,417</u>	<u>2,367,422</u>
Less - accumulated depreciation	495,255	424,668
Net property and equipment	<u>1,892,162</u>	<u>1,942,754</u>
Deposits	<u>24,088</u>	<u>70,693</u>
Total assets	<u>\$ 6,247,973</u>	<u>\$ 5,986,218</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	\$ 30,987	\$ 30,119
Accounts payable and accrued expenses	186,353	175,903
Funds held for others	124,474	124,819
Total current liabilities	<u>341,814</u>	<u>330,841</u>
Mortgage Notes Payable, net of current portion	1,243,004	1,274,056
Contingent Notes Payable	<u>379,653</u>	<u>382,153</u>
Total liabilities	<u>1,964,471</u>	<u>1,987,050</u>
Net Assets:		
Without donor restrictions:		
Operating	847,679	899,116
Designated by the Board of Directors (see Note 3)	2,367,606	2,372,436
Property and equipment	238,518	256,426
Total without donor restrictions	<u>3,453,803</u>	<u>3,527,978</u>
With donor restrictions	<u>829,699</u>	<u>471,190</u>
Total net assets	<u>4,283,502</u>	<u>3,999,168</u>
Total liabilities and net assets	<u>\$ 6,247,973</u>	<u>\$ 5,986,218</u>

The accompanying notes are an integral part of these statements.

Page 2

FAMILYAID BOSTON, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions:		
Operating revenues and public support:		
Operating revenues:		
Program grants and contracts - government	\$ 6,339,823	\$ 6,154,888
Rental and other income	265,759	218,683
Investment return designated for operations	146,784	149,890
Total operating revenues	<u>6,752,366</u>	<u>6,523,461</u>
Public support:		
Grants and contributions	695,312	787,773
Donated services	220,641	246,944
Net assets released from restrictions - program	150,745	65,174
United Way	67,080	115,788
Total public support	<u>1,133,778</u>	<u>1,215,679</u>
Special events:		
Event contribution and support	279,853	258,013
Less - direct special event	31,325	37,863
Net special events revenue	<u>248,528</u>	<u>220,150</u>
Total operating revenues and public support	<u>8,134,672</u>	<u>7,959,290</u>
Operating expenses:		
Shelter and housing programs	7,401,445	7,455,960
General and administrative	292,534	286,041
Fundraising	445,400	382,283
Total operating expenses	<u>8,139,379</u>	<u>8,124,284</u>
Changes in net assets without donor restrictions from operations	<u>(4,707)</u>	<u>(164,994)</u>
Other revenues (expenses):		
Investment income, net	132,001	88,229
Net assets released from restrictions - capital	11,750	152,500
Forgiveness of contingent notes payable	2,500	2,500
Net unrealized and realized gains (losses) on investments	(68,935)	43,468
Investment return designated for operations	(146,784)	(149,890)
Total other revenues (expenses)	<u>(69,468)</u>	<u>136,807</u>
Changes in net assets without donor restrictions	<u>(74,175)</u>	<u>(28,187)</u>
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	444,922	193,579
Capital grants	76,082	15,000
Net assets released from restrictions	(162,495)	(217,674)
Changes in net assets with donor restrictions	<u>358,509</u>	<u>(9,095)</u>
Changes in net assets	284,334	(37,282)
Net Assets:		
Beginning of Year	<u>3,999,168</u>	<u>4,036,450</u>
End of year	<u>\$ 4,283,502</u>	<u>\$ 3,999,168</u>

FAMILYAID BOSTON, INC.Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 284,334	\$ (37,282)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	70,587	59,253
Capital grants	(76,082)	(15,000)
Net unrealized and realized (gains) losses on investments	68,935	(43,468)
Forgiveness of contingent notes payable	(2,500)	(2,500)
Bad debt	5,413	4,693
Changes in operating assets and liabilities:		
Accounts receivable	(262,141)	8,476
Prepaid expenses	(12,515)	15,271
Deposits	46,605	(46,605)
Accounts payable and accrued expenses	10,450	(39,910)
Funds held for others	(345)	(7,628)
Net cash provided by (used in) operating activities	<u>132,741</u>	<u>(104,700)</u>
Cash Flows from Investing Activities:		
Sales of investments	1,044,767	1,086,435
Decrease in restricted cash	-	38,750
Acquisition of property and equipment	(19,995)	(134,501)
Purchases of investments	<u>(1,049,983)</u>	<u>(918,935)</u>
Net cash provided by (used in) investing activities	<u>(25,211)</u>	<u>71,749</u>
Cash Flows from Financing Activities:		
Capital grants	76,082	15,000
Principal payments of mortgage notes payable	<u>(30,184)</u>	<u>(31,755)</u>
Net cash provided by (used in) financing activities	<u>45,898</u>	<u>(16,755)</u>
Net Change in Cash	153,428	(49,706)
Cash:		
Beginning of year	<u>649,549</u>	<u>699,255</u>
End of year	<u>\$ 802,977</u>	<u>\$ 649,549</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 50,437</u>	<u>\$ 47,553</u>
Non-Cash Transactions:		
Property and equipment acquired through assumption of debt	<u>\$ -</u>	<u>\$ 372,828</u>
Unrealized gain (loss) on investments	<u>\$ (87,730)</u>	<u>\$ 21,482</u>

FAMILYAID BOSTON, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2019
 (With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019			2018		
	Shelter and Housing Programs	General and Administrative	Fundraising	Total Support Services	Total Expenses	Total Expenses
Client Assistance	\$ 3,485,134	\$ -	\$ -	\$ -	\$ 3,485,134	\$ 3,647,864
Personnel and Related:						
Salaries	2,325,012	151,058	253,416	404,474	2,729,486	2,698,832
Employee benefits	279,998	15,393	21,475	36,868	316,866	298,990
Payroll taxes	208,835	13,404	23,148	36,552	245,387	239,752
Total personnel and related	2,813,845	179,855	298,039	477,894	3,291,739	3,237,574
Occupancy:						
Repairs and maintenance	349,224	959	1,494	2,453	351,677	314,309
Rent	250,232	9,977	17,367	27,344	277,576	277,476
Insurance	64,529	1,695	2,081	3,776	68,305	68,965
Utilities	55,800	769	1,349	2,118	57,918	55,793
Total occupancy	719,785	13,400	22,291	35,691	755,476	716,543
Other:						
Professional fees and temporary help	38,587	61,833	53,795	115,628	154,215	103,785
Small equipment	68,698	2,189	11,392	13,581	82,279	85,935
Miscellaneous	48,398	21,404	10,915	32,319	80,717	60,253
Depreciation	69,086	547	954	1,501	70,587	59,253
Travel	54,776	922	782	1,704	56,480	54,109
Office supplies	25,639	10,684	13,602	24,286	49,925	40,586
Interest	47,341	-	-	-	47,341	47,484
Marketing	-	-	32,177	32,177	32,177	35,992
Direct special event	-	-	31,325	31,325	31,325	37,863
Telephone	20,186	325	496	821	21,007	22,712
Bad debt	5,413	-	-	-	5,413	4,693
Printing and postage	3,887	556	957	1,513	5,400	7,001
Scholarships	670	500	-	500	1,170	500
Total other	382,681	99,279	156,395	255,674	638,355	560,166
Total expenses	7,401,445	292,534	476,725	769,259	8,170,704	8,162,147
Less - direct special event activities included with revenues on the statements of activities and changes in net assets	-	-	(31,325)	(31,325)	(31,325)	(37,863)
Total expenses included in the statements of activities and changes in net assets	\$ 7,401,445	\$ 292,534	\$ 445,400	\$ 737,934	\$ 8,139,379	\$ 8,124,284

FAMILYAID BOSTON, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2018

	Shelter and Housing Programs	Support Services			Total Expenses
		General and Adminis- trative	Fundraising	Total Support Services	
Client Assistance	\$ 3,647,864	\$ -	\$ -	\$ -	\$ 3,647,864
Personnel and Related:					
Salaries	2,323,524	137,949	237,359	375,308	2,698,832
Employee benefits	267,159	8,932	22,899	31,831	298,990
Payroll taxes	206,618	12,159	20,975	33,134	239,752
Total personnel and related	2,797,301	159,040	281,233	440,273	3,237,574
Occupancy:					
Repairs and maintenance	309,928	2,520	1,861	4,381	314,309
Rent	238,141	15,337	23,998	39,335	277,476
Insurance	64,487	1,503	2,975	4,478	68,965
Utilities	52,484	1,280	2,029	3,309	55,793
Total occupancy	665,040	20,640	30,863	51,503	716,543
Other:					
Professional fees and temporary help	11,537	91,951	297	92,248	103,785
Small equipment	68,867	4,444	12,624	17,068	85,935
Miscellaneous	45,461	4,203	10,589	14,792	60,253
Depreciation	58,110	392	751	1,143	59,253
Travel	53,067	930	112	1,042	54,109
Office supplies	31,342	3,105	6,139	9,244	40,586
Interest	47,484	-	-	-	47,484
Marketing	-	-	35,992	35,992	35,992
Direct special event	-	-	37,863	37,863	37,863
Telephone	21,247	546	919	1,465	22,712
Bad debt	4,693	-	-	-	4,693
Printing and postage	3,947	290	2,764	3,054	7,001
Scholarships	-	500	-	500	500
Total other	345,755	106,361	108,050	214,411	560,166
Total expenses	7,455,960	286,041	420,146	706,187	8,162,147
Less - direct special event activities included with revenues on the statements of activities and changes in net assets	-	-	(37,863)	(37,863)	(37,863)
Total expenses included in the statements of activities and changes in net assets	\$ 7,455,960	\$ 286,041	\$ 382,283	\$ 668,324	\$ 8,124,284

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

1. OPERATIONS AND NONPROFIT STATUS

FamilyAid Boston, Inc. (FAB) was incorporated in 1920. The mission of FAB is to assist those without a home and to prevent and help end homelessness in Massachusetts. FAB's staff and volunteers work with and for vulnerable individuals and families to address their immediate and longer term housing and social support needs through direct service, preventive approaches, and advocacy.

FAB is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). FAB is also exempt from state income taxes. Donors may deduct contributions made to FAB within the IRC regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

FAB prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standard

During fiscal year 2019, FAB adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected FAB's financial statements:

- Net assets are to be segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see Note 3).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see Note 13).
- An explanation of the methods used to allocate costs among program and supporting (institutional support and development) functions (see page 10).

The adoption of this ASU did not impact FAB's net asset balance, change in net assets, or cash flows for the year ended June 30, 2018. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 financial statements.

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

FAB follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that FAB would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

FAB uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of FAB. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Revenue Recognition

Revenues from program grants and contracts - government are recorded as the services are performed. Revenues from grants and contributions without donor restrictions and United Way are recorded when received or unconditionally committed. Rental and other income is recorded when earned. Special events revenues are recognized in the period in which the events occur.

FAB reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Donor restricted contributions received and satisfied in the same period are included in net assets without donor restrictions.

Investments

Investments (see Note 4) consist of FAB's holdings of marketable securities held for purposes of financial returns. Investments are reported at fair value. Investment income includes interest, dividends and mutual fund distributions which are recorded when earned. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recognized based on fair value changes during the period. Investment income of all investment funds is available for operations and is therefore reflected in net assets without donor restrictions. Each year, the Board of Directors may budget a portion of total investment return for use in operations (see Note 3).

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is based on management's best estimate of the amount of probable credit loss in accounts receivable.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and building improvements	40 years
Furniture and fixtures	5 years
Office equipment	3 - 5 years

FAB accounts for the carrying value of its property and equipment in accordance with the requirements of *ASC Topic, Property, Plant and Equipment*. As of June 30, 2019 and 2018, FAB has not recognized any reduction in the carrying value of its property and equipment when considering this standard.

Cash

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Such amounts included in investment portfolios and restricted cash are not considered to be cash for the purpose of the statements of cash flows.

Deposit

Deposit consists of tenants' security deposit.

Funds Held for Others

Funds held for others represent funds held by FAB on behalf of its clients.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and public support and operating expenses in the accompanying statements of activities and changes in net assets. Other revenues (expenses) include endowment, capital and investment activity.

Advertising

FAB expenses advertising costs as they are incurred, which are shown as marketing expense in the accompanying statements of functional expenses.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes

FAB accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. FAB has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2019 and 2018. FAB's information returns are subject to examination by the Federal and state jurisdictions.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on usage studies conducted annually.

Donated Services

FAB receives donated goods and services in various aspects of its programs. The value of these goods and services is reflected in the accompanying financial statements based upon the value assigned by the donor or a reasonable estimate determined by management. Donated goods and services consist of the following for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Professional services	\$ 125,089	\$ 154,335
Salary	63,880	66,658
Professional investment fees (see Note 4)	20,000	22,661
Donated goods	<u>11,672</u>	<u>3,290</u>
	<u>\$ 220,641</u>	<u>\$ 246,944</u>

Subsequent Events

Subsequent events have been evaluated through October 31, 2019, which is the date the financial statements were available to be issued. See Note 9 for the events that met the criteria for recognition or disclosure in the financial statements.

3. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by FAB. FAB has grouped its net assets without donor restrictions into the following categories:

Operating net assets represent funds available to carry on the operations of FAB.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2019 and 2018**3. NET ASSETS (Continued)****Net Assets Without Donor Restrictions (Continued)**

Designated by the Board of Directors net assets represent funds that bear no external restrictions but have been designated by the Board of Directors for the following purposes:

	<u>2019</u>	<u>2018</u>
Funds functioning as endowment (see page 13)	\$ 2,010,873	\$ 1,937,609
Capital and other expenditures	<u>356,733</u>	<u>434,827</u>
	<u>\$ 2,367,606</u>	<u>\$ 2,372,436</u>

These funds are included in investments (see Note 4) and may only be used with the approval of the Board of Directors. During fiscal year 2019, \$128,535 was withdrawn from the capital and other expenditures fund for operations (see Page 12). During fiscal year 2018, the Board of Directors voted to use \$8,736 of the capital and other expenditures fund for the acquisition of a property and other capital purchases.

Property and equipment net assets reflect the net book value of FAB's property and equipment, net of related debt.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent contributions received or pledged that have not yet been expensed for their designated purpose. Net assets with donor restrictions also include accumulated appreciation and investment income on endowments. Included in net assets with donor restrictions are the following donor-restricted endowment funds (the restricted endowments):

Estate of Hannah Kimball Endowment - Donor's restrictions require that \$1,000 of principal be held as a permanent source of income.

Estate of Mary Converse Endowment - Donor's restrictions require that \$5,000 of principal be held as a permanent source of income.

Estate of Frank M. Ferrin Endowment - Donor's restrictions require that \$5,000 of principal be held as a permanent source of income.

Net assets with donor restrictions consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Program grants	\$ 581,625	\$ 287,448
Capital grants	229,332	165,000
Accumulated unspent appreciation on the restricted endowments	<u>7,742</u>	<u>7,742</u>
Total expenditure for specified purpose	818,699	460,190
Restricted endowments - investment in perpetuity	<u>11,000</u>	<u>11,000</u>
Total	<u>\$ 829,699</u>	<u>\$ 471,190</u>

A portion of the program and capital grants is included in restricted cash and investments in the accompanying statements of financial position.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

3. NET ASSETS (Continued)

Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purpose, or other events specified by the donors as follows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Program grants	\$ 150,745	\$ 65,174
Capital grants	<u>11,750</u>	<u>152,500</u>
	<u>\$ 162,495</u>	<u>\$ 217,674</u>

Endowment Fund

FAB follows the Uniform Prudent Management of Institutional Funds Act. Subject to the intent of a donor, FAB may appropriate for expenditure or accumulate so much of an endowment fund as FAB determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.

FAB has adopted investment policies for endowment assets that aim to establish the investment objectives, policies, guidelines, and eligible securities relating to any investments owned by FAB and identify the criteria against which the investment performance is measured. The investment goal is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle. The investments are to be split between equity, fixed income, and money market funds to accomplish these goals. The benchmarks used in evaluating the performance of the funds will be the Standard and Poor's 500 Index.

FAB's Board of Directors has adopted an investment spending policy under which it may appropriate up to 5% of the average fair values of FAB's investment portfolio over the previous thirty-six months. The Board of Directors may approve additional spending if the amount to be withdrawn is greater than 5% under the policy. During fiscal years 2019 and 2018, the Board of Directors voted to use \$146,784 and \$149,890, respectively, of investments for operations, which is reflected as investment return designated for operations in the accompanying statements of activities and changes in net assets. During fiscal year 2019, the entire investment portfolio was considered when approving the amount to be designated for operations. Management withdrew only \$18,249 of the investment return designated for operations out of the fund functioning as an endowment and the remaining balance of \$128,535 was withdrawn from the fund designated for capital and other expenditures (see page 11).

In accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations* standard and Massachusetts state law, appreciation on restricted endowments is included in net assets with donor restrictions. In fiscal years 2019 and 2018, the change in accumulated appreciation on restricted endowments was immaterial to the accompanying financial statements and, therefore, was recorded in net assets without donor restrictions.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2019 and 2018**3. NET ASSETS (Continued)****Endowment Fund (Continued)**

Changes in endowment net assets by class are as follows for the years ended June 30:

	Without Donor Restriction Board- Designated	With Donor Restriction	Total Endowment
Endowment net assets, June 30, 2017	<u>\$ 1,958,521</u>	<u>\$ 18,742</u>	<u>\$ 1,977,263</u>
Investment returns:			
Investment income, net	84,620	-	84,620
Net realized gain	21,986	-	21,986
Net unrealized gain	<u>22,372</u>	<u>-</u>	<u>22,372</u>
Total investment returns	128,978	-	128,978
Investment return designated for operations	<u>(149,890)</u>	<u>-</u>	<u>(149,890)</u>
Net change in endowment	<u>(20,912)</u>	<u>-</u>	<u>(20,912)</u>
Endowment net assets, June 30, 2018	<u>1,937,609</u>	<u>18,742</u>	<u>1,956,351</u>
Investment returns:			
Investment income, net	148,872	-	148,872
Net realized gain	18,795	-	18,795
Net unrealized loss	<u>(76,154)</u>	<u>-</u>	<u>(76,154)</u>
Total investment returns	91,513	-	91,513
Investment return designated for operations	<u>(18,249)</u>	<u>-</u>	<u>(18,249)</u>
Net change in endowment	<u>73,264</u>	<u>-</u>	<u>73,264</u>
Endowment net assets, June 30, 2019	<u>\$ 2,010,873</u>	<u>\$ 18,742</u>	<u>\$ 2,029,615</u>

4. INVESTMENTS

The following is a summary of investments as of June 30:

	2019	2018
Cash and cash equivalents	\$ 41,451	\$ 707,393
Equities - mutual funds	1,292,812	1,268,323
Fixed income:		
Corporate bonds and notes	1,098,606	538,867
Mutual funds	57,100	51,740
Other mutual funds	<u>153,461</u>	<u>140,826</u>
	<u>\$ 2,643,430</u>	<u>\$ 2,707,149</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

4. INVESTMENTS (Continued)

During fiscal years 2019 and 2018, the net investment returns were \$63,066 and \$131,697, respectively. The investments that relate to the Board designated funds functioning as endowment (see Note 3) are collateral for the note payable to a bank (see below). Investments are not insured and are subject to ongoing market fluctuations. Investments are classified as a long-term asset in the accompanying statements of financial position based on management's intent to hold these investments for long-term purposes.

A Board member of FAB is associated with the brokerage firm that handles FAB's investment transactions. The Board member manages FAB's portfolio, subject to oversight by the Board of Directors. No fees are charged by the brokerage firm and FAB recognized \$20,000 and \$22,661 as donated services for the years ended June 30, 2019 and 2018, respectively.

5. NOTE PAYABLE TO A BANK

FAB has a revolving line of credit agreement with a bank that provides for borrowing up to \$1,000,000. Borrowings under the agreement are due on demand and interest is payable monthly at the London Interbank Offered Rate (LIBOR) Advantage Rate (2.40% and 2.09% at June 30, 2019 and 2018, respectively), plus 2.75%. The line of credit is secured by FAB's investments (see Note 4) as defined in the agreement. There was no outstanding balance as of June 30, 2019 or 2018. FAB must meet certain covenants as specified in the agreement. FAB was in compliance with these covenants as of June 30, 2019 and 2018. This note is renewable annually.

6. MORTGAGE NOTES PAYABLE

FAB has entered into the following agreements to finance various properties:

	<u>2019</u>	<u>2018</u>
2.75% note payable to a bank in the original amount of \$267,750, due in monthly principal and interest installments of \$1,093, through January 1, 2047. This note is secured by shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	\$ 253,527	\$ 258,949
3% note payable to a bank in the original amount of \$260,000, due in monthly principal and interest installments of \$1,096, through December 1, 2047. This note is secured by first priority interest in a property located at 134 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	245,478	251,329
2.75% note payable to a bank in the original amount of \$252,250, due in monthly principal and interest installments of \$1,030, through January 1, 2047. This note is secured by shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	238,092	243,959

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

6. MORTGAGE NOTES PAYABLE (Continued)

	<u>2019</u>	<u>2018</u>
3% note payable to a bank in the original amount of \$243,750, due in monthly principal and interest installments of \$1,028, through December 1, 2047. This note is secured by first priority interest in a property located at 132 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	230,136	235,621
Note payable to a bank in the original amount of \$180,000 at 2.75% interest, due in monthly principal and interest installments of \$735, through January 1, 2047. This note is secured by shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	169,896	174,083
Note payable to a bank in the original amount of \$145,000 at 2.75% interest, due in monthly principal and interest installments of \$592, through January 1, 2047. This note is secured by shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	<u>136,862</u>	<u>140,234</u>
	1,273,991	1,304,175
Less - current portion	<u>30,987</u>	<u>30,119</u>
	<u>\$ 1,243,004</u>	<u>\$ 1,274,056</u>

Future maturities of mortgage notes payable over the next five years are as follows:

2020	\$ 30,987
2021	\$ 31,879
2022	\$ 32,796
2023	\$ 33,741
2024	\$ 34,712

FAB must comply with certain covenants as defined in the note payable agreements. FAB was in compliance with these covenants as of June 30, 2019 and 2018.

7. CONTINGENT NOTES PAYABLE

Contingent notes payable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Non-interest bearing note payable to the Department of Housing and Community Development (DHCD) under the Housing Stabilization Fund (HSF) program. Outstanding principal is due on June 21, 2031. This note is secured by a shared mortgage on the Pleasant Street property.	\$ 150,000	\$ 150,000

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2019 and 2018

7. CONTINGENT NOTES PAYABLE (Continued)

	<u>2019</u>	<u>2018</u>
1% note payable to the City of Boston. Outstanding principal and accrued interest are due on demand, only in the event of a default, as defined in the agreement. This note is secured by a shared mortgage on the Pleasant Street property.	150,000	150,000
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC) under the Housing Innovations Fund (HIF) program. Annual payments of principal are subject to cash flow defined as gross receipts exceeding 105% of cash expenditures. There were no payments due under this note as of June 30, 2019. This note is secured by a mortgage on the Pleasant Street property.	72,828	72,828
5% promissory note due to a private trust in the original amount of \$50,000 that expired in March 2016, at which time principal and interest became due. FAB is not expected to make any payment to the private trust. The private trust has given a non-binding commitment to forgive the note's principal and interest. During each of the fiscal years 2019 and 2018, the private trust forgave \$2,500 of the note's principal and accrued interest. The note is secured by subordinated mortgages on the 680 Columbia Road and 21 Marion Street properties (see Note 6).	<u>6,825</u>	<u>9,325</u>
Total	<u>\$ 379,653</u>	<u>\$ 382,153</u>

8. RETIREMENT PLAN

FAB maintains an employee retirement plan that qualifies under IRC Section 403(b). FAB makes discretionary contributions to eligible employees' retirement funds based on two percent of employees' gross pay, plus an additional two percent for those eligible employees who contribute a minimum of two percent to their retirement fund. Employees are eligible when they reach twenty-one years of age and complete one year of service. Employees become vested after three years of participation. For the years ended June 30, 2019 and 2018, FAB contributed \$52,330 and \$64,844, respectively, to the retirement plan, which are included in employee benefits in the accompanying statements of functional expenses.

9. LEASE AGREEMENTS**Facility**

FAB leases its office space under the terms of an agreement which expired in September 2019. Rent is payable in monthly installments of \$23,000, plus a proportionate share of increases in operating costs and real estate taxes. FAB has incurred \$277,576 and \$277,476 of rent expense under this agreement for years ended June 30, 2019 and 2018, respectively.

Subsequent to June 30, 2019, FAB has entered into a new lease for a new office space starting from October 1, 2019 through September 2022. Rent payments under the new lease will be \$18,460 payable in monthly installments plus a proportionate share of increases in operating costs and real estate taxes.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2019 and 2018**9. LEASE AGREEMENTS (Continued)****Equipment**

FAB leases equipment under operating lease agreements which expire at various dates through March 2020.

Remaining minimum cash payments under these agreements are as follows for the years ended June 30:

	<u>Equipment</u>	<u>Facility</u>
2020	\$ 7,432	\$ 235,144
2021	-	221,525
2022	-	221,525
2023	-	55,381
	<u>\$ 7,432</u>	<u>\$ 733,575</u>

10. FUNDING

FAB received the following program grants and contracts - government to assist with program expenses and operating costs during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Department of Housing and Community Development:		
Scattered Site Family Emergency Shelter	\$ 5,646,547	\$ 5,141,812
MRVP Reserve Support Services and other	10,000	10,474
City of Boston:		
Home Advantage Collaborative	603,098	631,012
Emergency Shelter Grants	-	318,982
Chronic Homeless Housing	41,181	37,608
Other	<u>38,997</u>	<u>15,000</u>
	<u>\$ 6,339,823</u>	<u>\$ 6,154,888</u>

These grants and contracts have been expended according to their respective terms and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, no significant liability to FAB will result from any such audits.

Approximately 64% and 93% of accounts receivable, net at June 30, 2019 and 2018, respectively, are due from one and two government agencies, respectively.

11. CONCENTRATION OF CREDIT RISK

FAB maintains its cash balances in three banks in Massachusetts. The Federal Deposit Insurance Corporation insures balances at each bank up to certain amounts. At certain times during the year, the cash balances exceeded the insured amount. FAB has not experienced any losses in such accounts. FAB's management believes it is not exposed to any significant credit risk on its cash.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2019 and 2018

12. CONDITIONAL GRANT

During fiscal year 2018, FAB was awarded a conditional grant from an organization in the amount of \$56,000 for fiscal year 2019. Since this grant was conditional upon the organization having available funds and FAB's performance, the amount had not been reflected in the accompanying financial statements as of June 30, 2018. The condition has been met during fiscal year 2019 and the grant has been recorded as revenue in the accompanying financial statements as of June 30, 2019. There were no conditional grants awarded in fiscal year 2019.

13. LIQUIDITY

FAB's financial assets available within one year from the statement of financial position date for general operating expenses as of June 30, 2019, are as follows:

Cash and cash equivalents	\$ 802,977
Accounts receivable, net	<u>832,210</u>
Total financial assets	<u>1,635,187</u>
Contractual or donor-imposed restrictions:	
Funds held for others	(124,474)
Other donor restrictions	<u>(237,074)</u>
Total contractual or donor-imposed restrictions	<u>(361,548)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,273,639</u>

FAB is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, FAB must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of FAB's liquidity management, FAB has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. There are funds established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, FAB also could draw upon \$1,000,000 of available lines of credit (see Note 5).

14. RECLASSIFICATION

Certain amounts in the fiscal year 2018 financial statements have been reclassified to conform with the fiscal year 2019 presentation.