

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Review)

JUNE 30, 2018

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 27, 2018

PLACE OF PROMISE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

CURRENT ASSETS:

Cash - Operations	\$ 52,473
Cash - Held in Trust (Note 5)	42,608
Total Cash	<u>95,081</u>
Investments (Note 2 & 3)	36,237
Loan Receivable (Note 6)	6,550
Prepaid expenses	5,226
Total Current Assets	<u>143,094</u>

PROPERTY AND EQUIPMENT (Note 2 & 4):

Land	174,000
Buildings	727,366
Building Improvements	46,476
Automobiles	32,472
	<u>980,314</u>
Less - Accumulated Depreciation	334,185
Net Property and Equipment	<u>646,129</u>

TOTAL ASSETS \$ 789,223

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 2,268
Accrued Expenses	3,700
Deposits Held in Trust (Note 5)	42,608
Equity Line of Credit Payable (Note 8)	36,483
Mortgages Payable - current portion	9,053
Total Current Liabilities	<u>94,112</u>

LONG TERM LIABILITIES:

Mortgages Payable - long term (Note 7)	<u>181,974</u>
Total Liabilities	276,086

NET ASSETS (Note 2 & 9):

Temporarily Restricted Net Assets	20,632
Unrestricted Net Assets	492,505
Total Net Assets	<u>513,137</u>

TOTAL LIABILITIES AND NET ASSETS \$ 789,223

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND GAINS (Note 2, 3 & 9):			
Contributions	\$ 238,494	\$ 51,845	\$ 290,339
Noncash Contributions - Securities	20,615		20,615
Program Fees	57,491		57,491
Investment Income	614		614
Gain (Loss) on Investments-Realized	(8,293)		(8,293)
Gain (Loss) on Investments-Unrealized	8,328		8,328
Total Revenues and Gains	<u>317,249</u>	<u>51,845</u>	<u>369,094</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 9)	<u>31,213</u>	<u>(31,213)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	348,462	20,632	369,094
EXPENSES:			
Program	313,591		313,591
General and Administrative	92,447		92,447
Fundraising	<u>9,102</u>		<u>9,102</u>
Total Expenses	<u>415,140</u>		<u>415,140</u>
CHANGE IN NET ASSETS	(66,678)	20,632	(46,046)
NET ASSETS - BEGINNING OF YEAR	<u>559,183</u>	<u>0</u>	<u>559,183</u>
NET ASSETS - END OF YEAR	<u>\$ 492,505</u>	<u>\$ 20,632</u>	<u>\$ 513,137</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 167,500	\$ 69,080		\$ 236,580
Employee Benefits	13,287	265		13,552
Payroll Taxes	15,004	6,128		21,132
Food & Supplies	4,126			4,126
Other Program Expenses	8,210			8,210
Auto Expense	7,516	929		8,445
Depreciation	31,674			31,674
Insurance	16,266	1,681		17,947
Scholarships	3,233			3,233
Education/Training	188			188
Repairs & Maintenance	2,382			2,382
Taxes & Condo Fees	3,361			3,361
Utilities	24,822			24,822
Telephone	5,926	1,046		6,972
Other Administrative		7,519		7,519
Interest	10,096	1,999		12,095
Professional Services		3,800		3,800
Newsletter & Printing	<u> </u>	<u> </u>	\$ <u>9,102</u>	<u>9,102</u>
	\$ <u>313,591</u>	\$ <u>92,447</u>	\$ <u>9,102</u>	\$ <u>415,140</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

Increase (Decrease) in Cash & Cash Equivalents	
Change in Net Assets	\$ (46,046)
Non-Cash Items Related to Operations Included in Net Assets:	
Donation of Marketable Securities	(20,615)
Depreciation	31,674
Unrealized Gain on Investments	(8,328)
Realized Loss on Sale of Investments	8,293
Cash Flows from Operating Activities:	
Change in Prepaid Expenses	1,580
Change in Accounts Payable & Accrued Expenses	(2,198)
Change in Deposits Held in Trust	<u>871</u>
Net Cash (Used in) Operating Activities	(34,769)
Cash Flows from Investing Activities:	
Loan repayment from Employee	<u>1,200</u>
Net Cash Provided by Investing Activities	1,200
Cash Flows from Financing Activities:	
Mortgage Principal Payments	<u>(9,205)</u>
Net Cash (Used in) Financing Activities	<u>(9,205)</u>
Net Change in Cash	(42,774)
Cash - Beginning of Year	<u>137,855</u>
Cash - End of Year	<u>\$ 95,081</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	\$ 12,095

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2018

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, 2018 was \$31,674.

C. Accounting for Investments

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

D. Cash and Cash Equivalents

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

E. Income Taxes

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

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2018

2. Summary of Significant Accounting Policies – (Continued)

F. Functional Allocation of Expenses

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

G. Contributions

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

H. Financial Statement Presentation

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

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The organization's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently restricted net assets are resources whose use by the organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

I. 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.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2018

J. 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, 2018 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.

3. Investments – Marketable Equity Securities

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

	<u>COST</u>	<u>LEVEL 1 FAIR VALUE</u>	<u>UNREALIZED APPRECIATION</u>
Equity Securities	\$52,996	\$36,237	(\$16,759)

Investment income consisted of interest and dividend income of \$593, unrealized gain of \$8,328, and realized loss of (\$8,293), which are considered unrestricted. No equity securities were purchased during the fiscal year but \$20,615 of equity securities were donated. No proceeds were received from the sale of marketable equity securities.

4. Property and Equipment

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

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2018

5. Cash Held for Residents

During fiscal year June 2018, 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 \$42,608 of resident deposits were still being held in trust at the close of the fiscal year.

6. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The remaining loan balance of \$6,550 is deemed 100% collectible.

7. Mortgages Payable

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

6/30/19	\$3,884	6/30/21	\$4,313	6/30/23	\$ 4,790
6/30/20	\$4,093	6/30/22	\$4,545	Thereafter	\$88,009

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:

6/30/19	\$5,169	6/30/21	\$5,797	6/30/23	\$ 6,502
6/30/20	\$5,474	6/30/22	\$6,139	Thereafter	\$52,311

8. Equity Line of Credit

In November, 2006 the Organization executed and established a \$40,000 equity line of credit from a local bank for working capital purposes. Required payments on the line of credit are interest only at prime plus one percent and secured by a second mortgage on one of the Lowell residential properties. There is a \$36,483 balance payable on the line of credit at June 30, 2018.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2018

9. Temporarily Restricted Net Assets

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

Founder / Director Compensation	\$14,400
Intern Compensation	11,352
Staff Development	143
Education Funds / Scholarships	3,233
Thanksgiving Dinner	100
Sewer Repair	850
Garage Renovation	<u>1,135</u>
Net Assets released from Restrictions	\$31,213

Temporarily restricted net assets of \$20,632 are available for the following purposes:

Education Funds / Scholarships	\$ 4,748
Staff Development	2,019
Garage Renovation	<u>13,865</u>
Temporarily Restricted Net Assets Available	\$20,632

10. Subsequent Events

The corporate management has reviewed subsequent events through November 27, 2018, the date the financial statements were available to be issued.