

PLACE OF PROMISE, INC.

(A Non-Profit Corporation)

ANNUAL FINANCIAL STATEMENTS

(Review)

JUNE 30, 2020

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

C O N T E N T S

Independent Accountant's Review Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Certified Public Accountant
Quincy, Massachusetts
October 20, 2020

PLACE OF PROMISE, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS:

Cash - Operations	\$ 256,015
Cash - Restricted (Note 11)	210
Cash - Held in Trust (Note 7)	16,718
Total Cash and Cash Equivalents and Restricted Cash	<u>272,943</u>
Investments (Note 2 & 6)	0
Loan Receivable (Note 4)	4,450
Prepaid expenses	6,491
Total Current Assets	<u>283,884</u>

PROPERTY AND EQUIPMENT (Note 2 & 5):

Land	147,000
Buildings	578,315
Building Improvements	198,942
Automobiles	32,472
	<u>956,729</u>
Less - Accumulated Depreciation	<u>(330,707)</u>
Net Property and Equipment	<u>626,022</u>

TOTAL ASSETS \$ 909,906

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 2,421
Accrued Expenses	4,200
Deposits Held in Trust (Note 7)	16,718
Loan Payable - SBA (Note 8)	33,600
Mortgage Payable - current portion	5,797
Total Current Liabilities	<u>62,736</u>

LONG TERM LIABILITIES:

Mortgage Payable - long term (Note 9)	64,463
Total Liabilities	<u>127,199</u>

NET ASSETS (Note 2 & 11):

Without Donor Restrictions	782,497
With Donor Restrictions	210
Total Net Assets	<u>782,707</u>

TOTAL LIABILITIES AND NET ASSETS \$ 909,906

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND GAINS (Note 2 & 6):			
Contributions	\$ 301,380	\$ 52,304	\$ 353,684
Program Fees	57,683		57,683
Investment Income	269		269
Gain (Loss) on Investments - Realized (Note 6)	(1,423)		(1,423)
Gain (Loss) on Investments - Unrealized	1,423		1,423
Realized Gain on Sale of Real Estate	52,155		52,155
Total Revenues and Gains	<u>411,487</u>	<u>52,304</u>	<u>463,791</u>
Net Assets released from restriction:			
Restrictions satisfied by payments (Note 11)	<u>53,824</u>	<u>(53,824)</u>	<u>0</u>
Total Revenue, Gains, and Other Support	465,311	(1,520)	463,791
EXPENSES:			
Program	295,434		295,434
General and Administrative	43,318		43,318
Fundraising	<u>14,824</u>		<u>14,824</u>
Total Expenses	<u>353,576</u>		<u>353,576</u>
CHANGE IN NET ASSETS	111,735	(1,520)	110,215
NET ASSETS - BEGINNING OF YEAR	<u>670,762</u>	<u>1,730</u>	<u>672,492</u>
NET ASSETS - END OF YEAR	<u>\$ 782,497</u>	<u>\$ 210</u>	<u>\$ 782,707</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2020

	<u>PROGRAM</u>	<u>GENERAL & ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	<u>TOTALS</u>
Salaries & Wages	\$ 154,893	\$ 27,995	\$ 0	\$ 182,888
Employee Benefits	11,660	0	0	11,660
Payroll Taxes	10,970	2,454	0	13,424
Food & Supplies	7,104	0	0	7,104
Other Program Expenses	8,353	0	0	8,353
Auto Expense	3,496	184	0	3,680
Depreciation	32,488	0	0	32,488
Insurance	14,041	2,009	0	16,050
Repairs & Maintenance	14,015	0	0	14,015
Taxes & Condo Fees	2,095	0	0	2,095
Utilities	22,622	0	0	22,622
Telephone	7,239	381	0	7,620
Other Administrative	0	5,260	0	5,260
Interest	6,458	785	0	7,243
Professional Services	0	4,250	0	4,250
Newsletter & Printing	<u>0</u>	<u>0</u>	<u>14,824</u>	<u>14,824</u>
	<u>\$ 295,434</u>	<u>\$ 43,318</u>	<u>\$ 14,824</u>	<u>\$ 353,576</u>

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.
STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

Increase (Decrease) in Cash & Cash Equivalents	
Change in Net Assets	\$ 110,215
Non-Cash Items Related to Operations Included in Net Assets:	
Depreciation	32,488
Realized Gain on Sale of Real Estate	(52,155)
Cash Flows from Operating Activities:	
Change in Prepaid Expenses	(1,650)
Change in Accounts Payable & Accrued Expenses	(137)
Change in Deposits Held in Trust	<u>(47,787)</u>
Net Cash Provided by Operating Activities	40,974
Cash Flows from Investing Activities:	
Sale of Property and Equipment	159,074
Loan Repayment from Employee	<u>900</u>
Net Cash Provided by Investing Activities	159,974
Cash Flows from Financing Activities:	
Equity Line of Credit Principal Payments	(16,483)
Proceeds of Loan Payable - SBA	33,600
Mortgage Principal Payments	<u>(111,429)</u>
Net Cash (Used in) Financing Activities	<u>(94,312)</u>
Net Change in Cash	106,636
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>166,307</u>
Cash and Cash Equivalents and Restricted Cash - End of Year	<u>\$ 272,943</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for Interest	\$ 7,243

See accompanying Notes and Independent Accountant's Review Report.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2020

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, 2020 was \$32,488.

C. Accounting for Investments

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

D. Cash and Cash Equivalents

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

E. Income Taxes

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

F. Contributions

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

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2020

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, 2020 used Level 1 inputs.

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

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2020

2. Summary of Significant Accounting Policies – (Continued)

J. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

3. 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>\$256,015</u>
Total	\$256,015

4. Loan Receivable – Employee

In October, 2014 the Organization provided an interest-free loan to a long-time employee. The remaining loan balance of \$4,450 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 an integrated family-style residence and transitional condominium unit-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, 2020. The one marketable equity security previously held was deemed worthless and written-off as the company was no longer in business. A realized loss of \$1,423 is reported within the Statement of Activities.

Investment income consisted of interest and dividend income of \$269, 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, 2020

7. Cash Held in Trust for Residents

During fiscal year June 2020, 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 \$16,718 of resident deposits were still being held in trust at the close of the fiscal year.

8. 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. Funds used for such purposes may be forgiven in full in the future.

9. 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 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:

6/30/21	\$5,797	6/30/23	\$6,502	6/30/25	\$ 7,299
6/30/22	\$6,139	6/30/24	\$6,888	Thereafter	\$37,635

10. Equity Line of Credit

In November, 2006 the Organization executed and established a \$40,000 equity line of credit from a local bank for working capital purposes. Required payments on the line of credit are interest only at prime plus one percent and secured by a second mortgage on one of the Lowell residential properties. There is no balance payable on the line of credit at June 30, 2020.

PLACE OF PROMISE, INC.

Notes to Financial Statements

June 30, 2020

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:

Bible/Bible Study	\$ 670
Holiday Dinner	520
Support of Individuals	14,270
Kids of Promise	4,013
Adult Residential Program	23,500
Motor Vehicle	9,401
Furniture and Equipment	<u>1,450</u>
Net Assets released from Restrictions	\$53,824

Net assets with donor restrictions of \$210 are available for the following purposes:

Motor Vehicle	\$ <u>210</u>
Donor Restricted Net Assets Available	\$ 210

12. Subsequent Events

The corporate management has reviewed subsequent events through October 20, 2020, 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.