

Boston Rescue Mission, Inc. and  
Affiliate

Consolidated Financial Statements

June 30, 2023



**Boston Rescue Mission, Inc.**

Index

June 30, 2023

**Independent Auditors' Report**

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Consolidated Financial Statements:**

Consolidated Statement of Financial Position as of June 30, 2023

Consolidated Statement of Activities for the Year Ended June 30, 2023

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2023

Consolidated Statement of Cash Flows for the Year Ended June 30, 2023

Notes to the Consolidated Financial Statements



## Independent Auditors' Report

To the Board of Directors  
Boston Rescue Mission, Inc. and Affiliate  
Boston, Massachusetts

### Opinion

We have audited the accompanying consolidated financial statements of Boston Rescue Mission, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Boston Rescue Mission, Inc. and Affiliate as of June 30, 2023, 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

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 our 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 consolidated financial statements.

**NASH CPAs LLC**  
**501 PROVIDENCE HWY**  
**NORWOOD, MA 02062**

**NASHCPA.US**  
**781-286-1320**  
**INFO@NASHCPA.US**

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Boston Rescue Mission, Inc. and Affiliate'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Rescue Mission, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

#### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information Required by the Operational Services Division including the Uniform Financial Report (UFR) Cover Page, Schedule A - Organization Supplemental Information Schedule, Schedule B - Program Supplemental Information Schedule and Scheduled C - UFR Addendum, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subject to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide assurance on it.

#### **Report on Summarized Comparative Information**

The 2022 financial statements of the Organization were audited by other auditors whose report dated November 15, 2022, expressed an unmodified opinion on those financial statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

*/s/ Nash CPAs LLC*

Nash CPAs LLC

Norwood, MA

December 19, 2023

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

To the Board of Directors of  
Boston Rescue Mission, Inc. and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boston Rescue Mission, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 19, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nash CPAs LLC*

Nash CPAs LLC

Norwood, MA

December 19, 2023

**Boston Rescue Mission, Inc.**

Consolidated Statement of Financial Position

As of June 30, 2023

	<u>2023</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,034,848
Accounts receivable, net	9,993
Program service fees receivable	48,799
Prepaid expenses	<u>111,703</u>
Total current assets	<u>1,205,343</u>
<b>Fixed Assets</b>	
Land	577,560
Building	5,576,220
Building improvements	2,386,814
Equipment	248,391
Intangible Assets	180,908
Motor vehicles	<u>27,357</u>
Total fixed assets	8,997,250
Less: accumulated depreciation	<u>(5,046,780)</u>
Total net fixed assets	<u>3,950,470</u>
<b>Other Assets</b>	
Investments	<u>60,216,566</u>
Total other assets	<u>60,216,566</u>
<b>Total Assets</b>	<u><u>\$ 65,372,379</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 17,220
Accrued payroll and related payroll liabilities	18,592
Accrued benefits	55,839
Deferred revenue	<u>10,767</u>
Total current liabilities	<u>102,418</u>
<b>Long Term Liabilities</b>	
Tenant security deposits	75,136
Long term debt	<u>154,700</u>
Total long term liabilities	<u>229,836</u>
Total liabilities	<u>332,254</u>
<b>Net Assets</b>	
Net assets without donor restrictions	64,433,870
Net assets with donor restrictions	<u>606,255</u>
Total net assets	<u>65,040,125</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 65,372,379</u></u>



**Boston Rescue Mission, Inc.**

Consolidated Statement of Activities

For the Year Ended June 30, 2023

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support</b>			
Contributions	\$ 2,058,852	\$ -	\$ 2,058,852
Program service fees	1,018,528	-	1,018,528
In kind contributions	201,987	-	201,987
Rental income	731,011	-	731,011
Other income	9,414	-	9,414
Net assets released from restrictions	<u>100,669</u>	<u>(100,669)</u>	<u>-</u>
Total revenue and support	<u>4,120,461</u>	<u>(100,669)</u>	<u>4,019,792</u>
<b>Expenses</b>			
Program services	2,214,959	-	2,214,959
General and administrative	276,764	-	276,764
Fundraising	<u>549,060</u>	<u>-</u>	<u>549,060</u>
Total Expenses	<u>3,040,783</u>	<u>-</u>	<u>3,040,783</u>
Change in net assets	<u>1,079,678</u>	<u>(100,669)</u>	<u>979,009</u>
<b>Other Revenue</b>			
Investment revenue, net	<u>4,632,616</u>	<u>105,268</u>	<u>4,737,884</u>
Total other revenue	<u>4,632,616</u>	<u>105,268</u>	<u>4,737,884</u>
<b>Total Change in Net Assets</b>	5,712,294	4,599	5,716,893
<b>Net Assets at Beginning of Year</b>	<u>58,721,576</u>	<u>601,656</u>	<u>59,323,232</u>
<b>Net Assets at End of Year</b>	<u>\$ 64,433,870</u>	<u>\$ 606,255</u>	<u>\$ 65,040,125</u>

**Boston Rescue Mission, Inc.**

Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,164,890	\$ 160,180	\$ 85,063	\$ 1,410,133
Payroll taxes and fees	188,900	19,375	9,082	217,357
Total salaries and related expenses	<u>1,353,790</u>	<u>179,555</u>	<u>94,145</u>	<u>1,627,490</u>
Depreciation	\$ 224,080	\$ 1,453	\$ 1,453	\$ 226,986
Direct administrative expenses	53,081	91,176	450,372	594,629
Occupancy	271,350	4,580	3,090	279,020
Other expenses	257,278	-	-	257,278
Other program and operating expenses	<u>55,380</u>	<u>-</u>	<u>-</u>	<u>55,380</u>
<b>Total Functional Expenses</b>	<u>\$ 2,214,959</u>	<u>\$ 276,764</u>	<u>\$ 549,060</u>	<u>\$ 3,040,783</u>

**Boston Rescue Mission, Inc.**

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2023

**Cash Flows from Operating Activities**

<b>Change in net assets</b>	\$ 5,716,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	226,986
Net (gain) loss on investments, net of fees	(3,162,150)
Decrease (increase) in assets	
Accounts receivable	213,614
Prepaid expenses	(1,683)
Security deposits	75,588
Increase (decrease) in liabilities	
Accounts payable	(75,809)
Accrued payroll and related payroll liabilities	14,258
Accrued benefits, retirement and severance	(1,118,915)
Deferred revenue	(6,541)
<b>Net Cash Provided by Operating Activities</b>	<u>1,882,241</u>
<b>Cash Flows from Investing Activities</b>	
Proceeds from disposal of fixed assets	563
Purchase of fixed assets	(180,908)
Proceeds from the sale of investments	326,000
Purchase of investments	(1,141)
Other investing activities	(1,569,463)
<b>Net Cash Used in Investing Activities</b>	<u>(1,424,949)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	457,292
<b>Cash and Cash Equivalents - Beginning</b>	<u>577,556</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,034,848</u>

## **Boston Rescue Mission, Inc.**

### Notes to the Consolidated Financial Statements

June 30, 2023

#### **(1) Summary of Significant Accounting Policies**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The significant accounting policies followed by Boston Rescue Mission, Inc. (the Organization) are described below to enhance the usefulness of the financial statements to the reader.

##### ***(a) Nature of Activities***

###### **Mission Overview:**

- Since 1899, the Organization has provided a safe, healing and supportive community for individuals experiencing homelessness, poverty, substance use disorders and those at risk of homelessness.
- The Organization effectively transforms and empowers individuals to become healthier and more self-sufficient by providing access to medical care, mental health and addiction treatment, and case management services to help them secure stable housing and employment.
- Every day of the year individuals are welcomed and cared for with dignity and find refuge from the lonely and often violent streets and inclement weather.
- The Organization provides hearty and healthy meals, a safe place to sleep, bathroom and shower facilities, toiletries, emergency clothing, and care for every person with respect.
- Staff is diverse in language, ethnicity, culture, age, skills, and knowledge and lived experiences and assist guests with achieving their goals for housing, recovery, physical and mental health and other critical needs.
- During the year ended June 30, 2023, staff and volunteers prepared and served thousands of nutritious meals.
- Last year, the Organization's Safe Haven Veterans Program in Dorchester provided transitional housing for women and men struggling with chronic homelessness, substance use disorders, and mental illness. The staff helped veterans successfully move to permanent housing.

###### **Community Need:**

During the year ended June 30, 2023, the Organization served homeless and hungry people in need of emergency shelter and services while maintaining protocols for COVID-19 safety. The Organization continues to respond effectively to the COVID-19 Pandemic, successfully procuring PPE supplies, and establishing mandatory screening, mask wearing, social distancing and cleaning and sanitizing protocols. Frontline staff treat every person with dignity and are effective in keeping our shelter community, staff and guests safe and healthy.

###### **Slogan:**

Transforming lives at risk since 1899.

###### **Vision Statement:**

Transforming lives by empowering people at risk to achieve healthy and self-sufficient lives.

## **Boston Rescue Mission, Inc.**

### Notes to the Consolidated Financial Statements

June 30, 2023

#### **(1) Summary of Significant Accounting Policies – continued**

##### ***(a) Nature of Activities - continued***

###### **Safe & Healthy Program**

Our year-round emergency shelter beds and services people who are experiencing homelessness and don't have a safe place to sleep. Beginning in late afternoon, staff conducted an intake with each person to access their immediate needs. BRM provided two nourishing and hearty meals, access to clean bathrooms and shower facilities, access to a case manager for help with immediate needs, secure a bed at a detox or recovery program, or to begin the process of finding transitional or permanent housing. Our longtime partnership with Health Care for the Homeless provides medical services at a nearby location.

The Safe Haven program ended on September 30, 2022.

###### **Healthy Meals Programs**

###### *Shelter Meals*

BRM relies on the generosity of donors and volunteers to help us prepare and serve over 38,000 healthy and hearty meals each year. Staff and volunteers serve three meals a day to our community residents and breakfasts and dinners to guests who stay in our Safe and Healthy.

###### *Boston Common Outreach*

On Saturday mornings, a volunteer and staff group spend time on the Boston Common and provide food, coffee, water, and fellowship. The goal of this outreach is to connect with others and share a meal and resources for those experiencing hunger and homelessness.

###### *Food Pantry*

Our pantry provides food basics such as rice, beans, pasta, meats, vegetables, cereals and other packaged food to our neighbors in need. Every other Wednesday morning, we distribute critical food supplies that help sustain and feed neighborhood families.

###### **Sober Living Community**

BRM's supportive shelter community provides professional and peer support in a safe sober environment for our guests. Our Downtown Crossing location offers access to public transportation, a wide range of employment opportunities, access to recovery treatment, transitional and permanent housing, and other valuable resources.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies – continued**

***(a) Nature of Activities – continued***

**Job Readiness**

We provide job training and work opportunities to these community members to prepare them to join or rejoin the workforce. We teach, develop, and reinforce the work skills, coping abilities, positive attitudes and self-confidence that are necessary to successfully apply for a job, accept an offer, and to maintain employment.

**Rapid Re-housing Program**

Case management services provide a thorough intake and counseling to help each person achieve their housing goals. Staff assist guests with housing searches, reunification with family and friends, one on one counseling, employment and other challenges to securing transitional or permanent housing.

**Safe Haven Veterans Program**

For over ten years, we have successfully operated a 10-bed short-term transitional housing program for chronically homeless veterans struggling with substance use disorders, mental illness and other health issues in restored Victorian in Dorchester, MA. The program utilizes three evidence-based practices for care: motivational interviewing, critical time intervention, and stages of change. The goal is to prepare each veteran to effectively and safely transition to permanent housing. We provide three healthy meals, snacks, counseling, and referrals to services at their request. Staff provides an environment that is conducive for each veteran to find hope, opportunity, and the determination to transform their life. The Safe Haven program closed on September 30, 2022.

**Private Funding and Efficiency**

Additionally, the Organization relies on a greater proportion of individual private donors for the majority of its total revenue. This reliance on individual donors and not governmental tax generated funds causes the Organization to incur mailing and tracking costs, making the development expenses higher than organizations supported by a greater percentage of public funding. The Organization believes in a healthy balance of both individual donations and public grants so it can best meet the goals of the Organization and provide better care for the people it serves.

A core strategy of the Organization is to employ salaried professionals for administrative and program management functions and to augment the professional staff with a large number of volunteers to carry out the support functions of the Organization's ministries. The result of this strategy can be seen in Note 1(l) to the consolidated financial statements. Including the in-kind value of volunteers would dramatically change the percentage of expense allocated to the Organization program services in a positive way. For the year ended June 30, 2023, Private Funding and Efficiency expenses are included in fundraising on the consolidated statement of functional expenses.

## **Boston Rescue Mission, Inc.**

### Notes to the Consolidated Financial Statements

June 30, 2023

#### **(1) Summary of Significant Accounting Policies – continued**

##### ***(2) Basis of Consolidation***

The consolidated financial statements include Boston Rescue Mission, Inc. and a wholly owned entity named JBOND LLC (JBOND).

All material inter-company transactions and accounts have been eliminated in consolidation.

JBOND was formed in March of 2021 to purchase the Kingston Investment Property Trust tenant's restaurant assets, which included all furniture, fixtures, and leasehold improvements of the restaurant, as well as the restaurant's liquor license. Additionally, JBOND entered into a license management agreement with an unrelated entity, contingent on the liquor license transfer, whereby JBOND would license the above purchased restaurant assets to this unrelated entity for a period of three years. Such license fees would have a monthly payment range over the course of the agreement, plus provide for certain additional real estate, utility, and other reimbursement payments.

##### ***(c) Basis of Presentation***

The consolidated statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts. Investment income or losses, realized and unrealized gains and losses on investments, net of related management fees are reported as non-operating revenue because such assets are managed for long-term stabilization of the Organization's activities. The financial statements are presented in a format prescribed by the Commonwealth of Massachusetts, Operational Services Division.

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The class of net assets applicable to the Organization is:

##### ***(d) Standards of Accounting and Reporting***

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies – continued**

***(d) Standards of Accounting and Reporting - continued***

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

***(e) Cash and Cash Equivalents***

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2023.

***(f) Investments***

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.



## **Boston Rescue Mission, Inc.**

### Notes to the Consolidated Financial Statements

June 30, 2023

#### **(1) Summary of Significant Accounting Policies – continued**

##### ***(g) Revenue Recognition***

The Organization earns revenue as follows:

The Organization generally measures revenue based on the amounts of consideration it expects to be entitled for the transfers of goods and services to a customer, then recognizes its revenue as performance obligations are satisfied under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

Program Service Fees – Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed under various agreements funded primarily by governmental agencies. State contracts that are considered reciprocal transactions or purchases or services, the results of which are turned over to the grantor, are recognized as the work under the contract is performed. Contracts that are considered nonreciprocal transactions that further the programs of the Organization are recorded when the Organization receives notification of the contract, or if conditions for performance are imposed, revenue is recognized when conditions have been met. All contracts consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit of service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental organization. For the year ended June 30, 2023, all program service fees of the Organization represent non-reciprocal transactions.

Contributions - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. Contributions with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies – continued**

***(g) Revenue Recognition - continued***

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Rental – Rental revenue, primarily from leases on commercial units, is recognized on a straight-line basis over the related lease terms. Rental payments received in advance are deferred. All leases between the Organization and its tenants are operating leases. Deferred rent, if any, represents the excess of rent reported on the straight-line basis over rental payments required under current, non-cancelable leases. Rental revenue is included in program service fees on the consolidated statement of activities. Rental revenue is recognized as rentals come due and are accounts for under *Leases* (Topic 840). All leases between the Organization and its tenants are operating leases.

In-Kind Contributions - Gifts in kind are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the consolidated financial statements since the recognition criteria were not met, see Note 1(l).

Deferred revenue represents income received prior to year-end. These amounts are deferred and recognized over the periods to which the units or services are provided.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2023, the Organization program service fees were derived from Massachusetts state agencies. All revenue is recorded at the estimated net realizable amounts.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies - continued**

***(h) Accounts Receivable***

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2023, the allowance for doubtful accounts was zero.

The Organization does not have a policy to accrue interest on receivables. Apart from tenant accounts receivable, the Organization has no policies requiring collateral or other security to secure the accounts receivable. Tenant security deposits are used as collateral in the event of non-payment of rent. The Organization has a policy to collect two month's security deposit from tenants.

As of June 30, 2023, 83% of its accounts receivable is from governmental agencies and 17% from tenants.

***(i) Donated Services and Gifts In-Kind***

Gifts in-kind are reported as contributions in the consolidated financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program and fund-raising services. The Organization would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the consolidated financial statements. For the year ended June 30, 2023 the Organization estimates that 11,811 volunteer hours were received.

***(j) Designation of Net Assets Without Donor Restrictions***

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements, acquisitions, and program development/expansion from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements, acquisitions, and development/expansion, see Note 5.

## Boston Rescue Mission, Inc.

### Notes to the Consolidated Financial Statements

June 30, 2023

#### (1) Summary of Significant Accounting Policies - continued

##### *(k) Fixed Assets*

Land, buildings and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated lives:

Building	25-40 years
Building Improvements	5-40 years
Equipment	5-10 years
Vehicles	5 years

Buildings and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

Depreciation expense totaled \$226,986 for the year ended June 30, 2023.

##### *(l) Fundraising*

Fundraising relates to the activities of raising general and specific contributions to the Organization. Fundraising expenses as a percentage of total contribution revenue was 27% for the year ended June 30, 2023. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

##### *(m) Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Payroll and associated costs are allocated to functions based upon time sheets. Occupancy costs are allocated based upon square footage.

## Boston Rescue Mission, Inc.

### Notes to the Consolidated Financial Statements

June 30, 2023

#### (1) Summary of Significant Accounting Policies – continued

##### *(n) Fair Value Measurements*

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

**Level 1:** Quoted prices for identical instruments traded in active markets.

**Level 2:** Observable inputs other than quoted prices included in level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities observable in market active markets data.

**Level 3:** Significant inputs to the valuation model are unobservable.

##### Recurring Measurements

The following section describes the valuation methodologies used to measure assets, financial assets, and liabilities at fair value on a recurring basis.

**Investments in Debt and Equity Securities:** Quoted market prices are used to determine the fair value of investment securities, and they are included in Level 1. Level 1 securities primarily include publicly traded equity securities. See Note 2 for details of the Organization's investments in debt and equity securities.

The following table summarizes assets measured at fair value on a recurring basis as of June 30, 2023

	Fair Value Measurements on a Recurring Basis			Total
	Level 1	Level 2	Level 3	
Investments	\$ 60,216,566	\$	\$	\$ 60,216,566
Total	\$ 60,216,566	\$	\$	\$ 60,216,566

##### *(o) Use of Estimates*

In preparing the Organization's financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies – continued**

***(p) Income Taxes***

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Boston Rescue Mission, Inc. is invested in rental real estate of non-debt-financed properties not subject to unrelated business income. In addition, Boston Rescue Mission, Inc. is not a private foundation under Section 509(a)(1) of the IRC. Generally, the Organization's information/tax returns remain open for possible federal tax examination for three years after the filing date. The Organization is not currently under examination by any taxing jurisdiction.

***(q) Operating Fund, Plant Fund, and Endowment Fund***

To ensure observance of limitations and restrictions placed on use of resources available to the Organization, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by the fund group.

The assets, liabilities and fund balances of the Organization are reported in two self-balancing fund groups as follows:

Current Operations Fund - Includes unrestricted and restricted resources. The unrestricted fund represents resources currently available for use, while the restricted fund represents funds available for use under certain conditions.

Plant Fund - Represents resources both unrestricted and restricted for acquiring or replacing land, buildings or equipment and the accumulated net investment in property and equipment.

Endowment Fund - Represents the principal number of gifts and bequests accepted with the donor stipulation that the principal be maintained intact in perpetuity and that only the income from the investment thereof be expended for general purpose or purposes specified by the donor.

## Boston Rescue Mission, Inc.

### Notes to the Consolidated Financial Statements

June 30, 2023

#### (2) Investments

The Board of Directors designated funds to be set aside for particular purposes, including but not limited to, future property improvements, acquisitions, and program development/expansion. As of June 30, 2023, all investments are classified as long-term, and are mostly Board of Directors designated assets, see Note 5(b).

Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets, other than cash and money market funds, and are comprised of the following as of June 30, 2023:

Cash and money market funds	\$ <u>4,504,884</u>
U.S Treasuries	7,169,546
Domestic mutual funds	24,660,076
Debt securities	
Domestic corporate fixed income	5,634,484
Equity securities	
Domestic	<u>18,247,751</u>
Total fair value level 1 investments	
Total	\$ <u><u>60,216,566</u></u>

The marketable equity securities and corporate fixed income debt securities primarily consists of common stocks and mutual funds, respectively, of companies traded on the New York Stock Exchange.

#### (3) Debt

The Organization has a first mortgage note payable to the City of Boston, Department of Neighborhood Development, dated November 22, 2010, in the amount of \$154,700 for a property located in Boston, Massachusetts. The note bears no interest. No payments are required until maturity, December 18, 2027. The note is secured by a first mortgage and security agreement and an assignment of leases and rents on the property. As of June 30, 2023, the outstanding principal was still \$154,700.

#### (4) Defined Contribution Plan

The Organization offers eligible employees' participation in a 401(k) retirement plan. Employees must be at least 21 years old and have completed one year of service and 1,000 hours to participate. The Organization provides a match of 100% of the first 6% of salary contributed by employees. Employees are fully vested upon the employer matching contributions. Plan administration fees and employer match totaled \$67,972 for the year ended June 30, 2023.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(5) Net Assets**

***(a) Net Assets with Donor Restrictions***

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2023, net assets with donor restrictions are restricted for the following purposes or period:

*Subject to expenditure for specified purpose*

Unexpected appreciation over spending policy for use on charitable activities	\$ 80,641
Asset acquisition	11,263
Total	<u>91,904</u>
Maintained in perpetuity:	
Arthur S. Pittman Endowment Fund*	306,561
Catherin C. Gordon Endowment Fund **	207,790
Total	<u>514,351</u>
Total net assets with donor restriction	<u>\$ 606,255</u>

\*The original contributions of \$306,561 are to be invested in perpetuity, and earnings thereon may be used for charitable purposes based in the policy agreement. Annual releases are limited to 7%.

\*\*The original contribution of \$207,790 is to be invested in perpetuity, and earnings may be used for direct program support. Annual releases are limited to 7%.

Net assets released from restrictions during the year ended June 30, 2023 were \$100,669 of which all were program restricted.

A summary of the endowment fund activity is as follows:

Balance, beginning of year	\$ 514,351
Investment revenue (expenses), net	(41,268)
Additions (expenditures)	41,268
Balance, end of year	<u>\$ 514,351</u>

A summary of the activity in the unexpended appreciation over spending policy for use on charitable activities is as follows:

Balance, beginning of year	\$ 75,377
Additions	-
Endowment recovery	41,268
Releases	(36,004)
Balance, end of year	<u>\$ 80,641</u>



## Boston Rescue Mission, Inc.

### Notes to the Consolidated Financial Statements

June 30, 2023

#### (5) Net Assets – continued

##### *(b) Net Assets Without Donor Restrictions*

The Organization's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes as of June 30, 2023:

Undesignated	\$ 34,202,671
Capital Fund for capital acquisition and upgrades	15,831,925
Cornerstone Fund to fund start-up, faith based and other programs and for capacity growth	7,399,274
Reserve Fund	<u>7,000,000</u>
Balance, end of year	<u>\$ 64,433,870</u>

#### (6) Endowment

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the permanent endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization's endowment consists of \$514,351 established for charitable purposes. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with state law, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Accordingly, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. See Note 5 for activity during the year ended June 30, 2023.

## **Boston Rescue Mission, Inc.**

### Notes to the Consolidated Financial Statements

June 30, 2023

#### **(7) Operating Lease Commitments**

The Organization currently leases commercial space to seven organizations. Various leases end between 2023 and 2027. Rental income, exclusive of amounts reimbursed by tenants, amounted to \$676,170 for the year ended June 30, 2023. Future minimum lease payments to be received are as follows for the year ended June 30:

2024	\$ 520,760
2025	416,381
2026	348,205
2027	254,017
2028	24,067

Management believes lease payments from tenants under long-term operating leases may change due to tenant degree of stability. No material changes are expected to the Organization's consolidated financial statements for the year ended June 30, 2023 as a result of these uncertainties.

#### **(8) Related Party Transactions**

During the year ended June 30, 2023, a board member provided consulting services with the Organization's staff in the amount of \$16,795.

The Executive Director of the Organization is also the Board President. Compensation includes salary and related fringe benefits, a housing allowance, and a retirement benefit.

During prior years, the Board of Directors voted to reallocate the accrued vacation balance of the Executive Director's 30 years of employment to accrued retirement and vacation liability. In the current year, retirement and vacation liability totaled zero due to the Organization being requested by the previous auditor to pay the CEO out the entire balance, \$1,200,000, in the year ended June 30, 2023.

Total compensation, including housing allowance, vacation payout and retirement, incurred to the Executive Director amounted to \$1,528,891 for the year ended June 30, 2023.

The Organization has a note receivable with JBOND in the amount of \$180,908 as of June 30, 2023. There is no stated interest, maturity or collateral associated with the note receivable. As this note receivable is an amount due from a related affiliate it has been eliminated in consolidation.

#### **(9) Contributed Nonfinancial Assets**

For the year ended June 30, 2023, contributed nonfinancial assets recognized within the consolidated statement of activities included \$201,987 of donated food that was received which was utilized entirely for programmatic purposes and was not donor restricted. Donated food items are valued, based upon weight, at the approximate average wholesale value of one pound of donated product at the national level as outlined in the Product Valuation Survey Methodology prepared by an international CPA firm dated December 31, 2022, prepared for Feeding America for use by member food banks.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(10) Commitments and Contingencies**

The Organization receives a portion of its funding from governmental agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the governmental agencies. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization's operations are concentrated in the social service provider field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

United States Department Agriculture, Food and Nutrition Services  
United States Department of Veterans Affairs  
Massachusetts Department of Housing and Community Development  
City of Boston Public Health Commission

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments, the Commonwealth of Massachusetts Departments or the City of Boston departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally contractual funding may decrease or be withdrawn with little notice.

**(11) Not-for-Profit Provider Surplus Revenue Retention**

The Organization has no liability to the Commonwealth of Massachusetts under the Division of Purchased Services "Surplus Revenue Retention Policy" pursuant to 808 CMR 1.19(3). In accordance with this policy, the Organization is entitled to retain an annual net surplus of up to twenty percent (20%) per year of the total revenue attributable to Commonwealth purchasing agencies.

Such surplus may be retained as net assets without donor restrictions to further its charitable purposes, provided that no portion of the surplus be used for any non-reimbursable cost set forth in 808 CMR 1.05, the free care prohibition excepted.

**Boston Rescue Mission, Inc.**

Notes to the Consolidated Financial Statements

June 30, 2023

**(12) Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of June 30, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end	
Cash and cash equivalents	\$ 1,034,848
Receivables, net	58,792
Total	<u>1,093,640</u>
Less amounts unavailable for general expenditures within one year, due to:	
Restricted by donors for specific purposes	<u>91,904</u>
Total	<u>91,904</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,001,736</u>

Amounts not available include amounts set aside for long-term investment in the Organization that could be drawn upon at management's or the Board's discretion. These amounts totaled \$60,216,566 as of June 30, 2023. Included in the investment amounts are Board designated funds, see Note 5(b). In addition, as part of the Organization's liquidity management, the Organization has a policy to structure the financial assets to be available as its general expenditures, liabilities and other obligations come due.

**(13) Subsequent Events**

The Organization has performed an evaluation of subsequent events through December 19, 2023, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events, except as disclosed below, have occurred since June 30, 2023 that required recognition or disclosure in these consolidated financial statements.