



**BOSTON RESCUE MISSION,
INC. AND AFFILIATE**

Consolidated Financial Statements

June 30, 2020



Kevin P. Martin & Associates, P.C.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

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June 30, 2020

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Boston Rescue Mission, Inc. and Affiliate (nonprofit organizations), (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note 1(t) to the consolidated financial statements, the Organization has adopted ASU No. 2018-08, *Clarified Scope and Accounting Guidance for Contributions Received and Made* and ASU No. 2016-15, *Statement of Cash Flows - Clarification of Certain Cash Receipts and Cash Payments*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 14, 2019. 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, 2019, is consistent, in all material respects, with the audited consolidated 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 November 12, 2020, 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 to 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 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.



Braintree, Massachusetts
November 12, 2020



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 (nonprofit organizations), (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2020.

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 consolidated 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 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.

A handwritten signature in black ink that reads "Numin P. Martini & Associates, P.C." The signature is written in a cursive, flowing style.

Braintree, Massachusetts
November 12, 2020

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Consolidated Statement of Financial Position

As of June 30, 2020

With Comparative Totals as of June 30, 2019

<u>Assets</u>		
Current Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 292,451	\$ 476,588
Accounts receivable, net	46,328	49,122
Program service fees receivable	616,050	431,076
Prepaid expenses	<u>108,674</u>	<u>112,662</u>
Total current assets	<u>1,063,503</u>	<u>1,069,448</u>
 Land, Building and Equipment		
Land	577,560	577,560
Buildings	5,582,080	5,582,080
Building improvements	2,662,057	2,647,807
Equipment	35,806	35,806
Motor vehicles	<u>27,357</u>	<u>27,357</u>
Total fixed assets	8,884,860	8,870,610
Less: accumulated depreciation	<u>(4,421,385)</u>	<u>(4,184,799)</u>
Total net fixed assets	<u>4,463,475</u>	<u>4,685,811</u>
 Other Assets		
Tenant security deposits	87,205	87,087
Investments	45,230,885	40,724,233
Investments in limited liability companies	<u>35,324</u>	<u>31,901</u>
Total other assets	<u>45,353,414</u>	<u>40,843,221</u>
Total Assets	<u>\$ 50,880,392</u>	<u>\$ 46,598,480</u>
 <u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 164,169	\$ 54,972
Accrued payroll and related payroll liabilities	20,308	65,320
Accrued benefits	37,227	33,973
Deferred revenue	26,740	12,685
PPP loan	<u>298,000</u>	<u>-</u>
Total current liabilities	<u>546,444</u>	<u>166,950</u>
 Long Term Liabilities		
Tenant security deposits	86,919	86,919
Accrued retirement and severance	950,449	888,928
Long term debt	<u>154,700</u>	<u>154,700</u>
Total long term liabilities	<u>1,192,068</u>	<u>1,130,547</u>
Total liabilities	<u>1,738,512</u>	<u>1,297,497</u>
 Net Assets		
Net assets without donor restrictions	48,500,261	44,641,128
Net assets with donor restrictions	<u>641,619</u>	<u>659,855</u>
Total net assets	<u>49,141,880</u>	<u>45,300,983</u>
Total Liabilities and Net Assets	<u>\$ 50,880,392</u>	<u>\$ 46,598,480</u>

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Consolidated Statement of Activities

For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Contributions	\$ 2,290,081	\$ -	\$ 2,290,081	\$ 1,853,195
In kind contributions	376,552	-	376,552	447,758
Program service fees	2,252,495	-	2,252,495	2,162,080
Investment revenue, net	1,807,203	21,754	1,828,957	2,676,502
Rental income	796,604	-	796,604	817,897
Other income	21,370	-	21,370	9,416
Net assets released from restrictions	<u>39,990</u>	<u>(39,990)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,584,295</u>	<u>(18,236)</u>	<u>7,566,059</u>	<u>7,966,848</u>
Expenses				
Program services	2,951,033	-	2,951,033	2,902,710
General and administrative	248,356	-	248,356	237,302
Fundraising	<u>525,773</u>	<u>-</u>	<u>525,773</u>	<u>457,842</u>
Total expenses	<u>3,725,162</u>	<u>-</u>	<u>3,725,162</u>	<u>3,597,854</u>
Change in Net Assets	3,859,133	(18,236)	3,840,897	4,368,994
Net Assets at Beginning of Year	<u>44,641,128</u>	<u>659,855</u>	<u>45,300,983</u>	<u>40,931,989</u>
Net Assets at End of Year	<u>\$ 48,500,261</u>	<u>\$ 641,619</u>	<u>\$ 49,141,880</u>	<u>\$ 45,300,983</u>

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

Cash Flows from Operating Activities	<u>2020</u>	<u>2019</u>
Change in net assets	\$ 3,840,897	\$ 4,368,994
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gain on investments, net of fees	(1,802,925)	(2,684,250)
Loss from investments in limited liability companies	(25,779)	8,004
Donated securities included in contributions	(10,727)	(10,276)
Depreciation	236,586	236,768
Decrease (increase) in assets:		
Accounts receivable	2,794	81,637
Program service fees receivable	(184,974)	374,918
Prepaid expenses	3,988	(85,769)
Tenant security deposits	(118)	(131)
Increase (decrease) in liabilities:		
Accounts payable	109,197	18,055
Accrued payroll and related payroll liabilities	(41,758)	13,710
Accrued benefits, retirement and severance	61,521	109,180
Deferred revenue	14,055	(9,371)
Tenant security deposits	-	-
Net Cash Provided by Operating Activities	<u>2,202,757</u>	<u>2,421,469</u>
Cash Flows from Investing Activities		
Fixed asset purchases	(14,250)	(65,719)
Purchase of investments	(2,868,000)	(2,540,000)
Proceeds from sale of investments	175,000	-
Distributions from investments in limited liability companies	<u>22,356</u>	<u>29,806</u>
Net Cash Used in Investing Activities	<u>(2,684,894)</u>	<u>(2,575,913)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan	<u>298,000</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>298,000</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(184,137)	(154,444)
Cash and Cash Equivalents - Beginning	<u>476,588</u>	<u>631,032</u>
Cash and Cash Equivalents - Ending	<u>\$ 292,451</u>	<u>\$ 476,588</u>
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for taxes	<u>\$ -</u>	<u>\$ 1,334</u>

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2020

With Comparative Totals for the Year Ended June 30, 2019

	Residential & Job Readiness Program	Safe Haven Program	Community Incubator Program	Total Program Services	General and Administrative	Fundraising	2020 Total	2019 Total
Salaries	\$ 1,169,243	\$ 196,577	\$ 87,481	\$ 1,453,301	\$ 147,072	\$ 48,377	\$ 1,648,750	\$ 1,617,068
Fringe benefits	93,963	15,583	9,472	119,018	4,612	4,612	128,242	106,641
Payroll taxes	84,334	14,422	5,180	103,936	1,713	1,713	107,362	99,630
Subtotal	<u>1,347,540</u>	<u>226,582</u>	<u>102,133</u>	<u>1,676,255</u>	<u>153,397</u>	<u>54,702</u>	<u>1,884,354</u>	<u>1,823,339</u>
Food	416,191	-	-	416,191	-	-	416,191	482,191
Repairs and maintenance	183,291	4,409	65,787	253,487	3,773	3,773	261,033	174,879
Depreciation	78,211	15,111	140,007	233,329	1,627	1,630	236,586	236,767
Printing	-	-	-	-	-	216,449	216,449	127,943
Postage	553	-	-	553	4,801	150,288	155,642	168,423
Dues and subscriptions	5,931	-	-	5,931	11,306	-	17,237	43,120
Utilities	69,118	12,427	29,540	111,085	819	819	112,723	133,760
Supplies	90,918	6,180	-	97,098	340	354	97,792	54,458
Taxes	-	-	57,840	57,840	-	-	57,840	-
Miscellaneous expenses	23,087	2,524	435	26,046	25,985	507	52,538	60,750
Professional fees	-	-	-	-	43,884	-	43,884	104,044
Insurance	21,378	5,658	13,657	40,693	2,424	584	43,701	47,137
Bad debt	-	-	32,525	32,525	-	-	32,525	41,503
Direct mail marketing	-	-	-	-	-	96,667	96,667	99,540
	<u>\$ 2,236,218</u>	<u>\$ 272,891</u>	<u>\$ 441,924</u>	<u>\$ 2,951,033</u>	<u>\$ 248,356</u>	<u>\$ 525,773</u>	<u>\$ 3,725,162</u>	<u>\$ 3,597,854</u>

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The consolidated 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. (BRM) and Affiliate (the Organization) are described below to enhance the usefulness of the consolidated financial statements to the reader.

(a) Nature of Activities

Mission Overview:

- Since 1899, BRM has provided a safe, healing community for people at risk of homelessness and substance use disorders.
- BRM is committed to transforming and empowering women and men at risk to end their homelessness and to become healthier and more self-sufficient.
- Every day, homeless women and men find dignity and refuge in our shelter community from the lonely and often violent streets and inclement weather.
- BRM 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.
- In the current fiscal year, staff and volunteers prepared and served over 130,000 nutritious meals to over 1500 vulnerable women and men.
- Last year, BRM's Safe Haven Veterans Program in Dorchester provided transitional housing for women and men struggling with chronic homelessness, substance use disorders, and mental illness. Staff helped 40 veterans successfully move to permanent housing.

Community Need:

During FY20, BRM served significantly more women in need of emergency shelter and services. In March 2020, BRM responded immediately 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. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Residential and Job Readiness Program is comprised of the following services:

Safe and Healthy Programs

BRM's year-round emergency shelter beds and services helps over 1500 women and men who are experiencing homelessness and do not have a safe place to sleep. Beginning in late afternoon, staff conduct an intake with each person to assess their immediate needs and determine whether someone is under the influence of alcohol and/or drugs for their safety and wellbeing and for all other guests and staff. Presently, during the COVID-19 Pandemic, the intake also involves protocols for screening for symptoms of the virus, assessment of health conditions and mandatory wearing of masks and social distancing by all guests and staff. BRM provides 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. BRM's longtime partnership with Health Care for the Homeless provides for a weekly onsite medical team.

Healthy Meals Programs

Shelter Meals

The Organization relies on the generosity of dozens of food donors to help prepare and serve over 130,000 healthy and hearty meals each year. Staff and volunteers serve three meals a day to community residents and breakfasts and dinners to guests who stay in BRM's Safe and Healthy and Emergency Overflow Shelter programs.

Boston Common Outreach

On Saturday mornings, a volunteer and staff group spend time on the Boston Common and provides 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

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Residential and Job Readiness Program is comprised of the following services - continued:

Out Patient Counseling Program

The Organization operates a Department of Public Health licensed center that provides quality outpatient care to individuals struggling with substance use disorders. The center provides clinical and support services to guests to help them address the wide range of challenges that occur with substance use disorders, that include:

- Individual and family counseling
- Case management services for vocational, financial, physical and mental health, educational, rehabilitative, and housing needs
- Referral to other agencies (i.e. inpatient treatment, vocational training)
- Education and resources on detox, recovery programs, mental illness, smoking cessation, infectious diseases (i.e. TB, HIV/AIDS, Hepatitis, STDs)
- Aftercare and transition planning

Sober Living and Life Growth Shelter Communities Programs

The Organization's supportive shelter communities provide professional and peer support in a safe sober environment for over 35 men. BRM's Downtown Crossing location offers access to public transportation, a wide range of employment opportunities and other valuable resources. Trained and experienced staff lead in-house recovery groups, one on one counseling, animal therapy, and provide resources and access to recovery treatment, and transitional and permanent housing.

Job Readiness Program

BRM provides job training and work opportunities to these community members to prepare them to join or rejoin the workforce. BRM teaches, develops, and reinforces 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.

The Residential and Job Readiness Program accounted for 76% of total program expenditure for the year ended June 30, 2020.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Safe Haven Program

For ten years, BRM has 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. BRM provides 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 accounted for 9% of total program expenditure for the year ended June 30, 2020.

Community Builder Incubator Program

On December 21, 2004, BRM created the Kingston Investment Properties Trust. This nominee trust was created as a title holding agency. BRM administers shared space for services in downtown Boston for several Massachusetts community-based organizations, including homelessness, youth and child services. BRM's administrative offices are also located in the building. The proximity to each other facilitates programmatic collaboration among several of these organizations and with BRM. BRM is also building future programmatic space capacity for its growing programs.

The Community Builder Incubator Program accounted for 15% of total program expenditure for the year ended June 30, 2020.

Private Funding and Efficiency

Additionally, BRM 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 BRM to incur mailing and tracking costs, making the development expenses higher than organizations supported by a greater percentage of public funding. BRM 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.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Private Funding and Efficiency - continued

A core strategy of BRM 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 BRM'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 BRM program services in a positive way. For the year ended June 30, 2020, Private Funding and Efficiency expenses are included in fundraising on the consolidated statement of functional expenses.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of BRM and On-the-Job-Inc., a nonprofit organization with control and economic interest through common board members. All material inter-company transactions and accounts have been eliminated in consolidation.

On-the-Job, Inc. was formed in July 1998 for the purpose of undertaking economic development opportunities which advance the charitable goals of BRM, including, without limitation, providing training, employment, housing and similar opportunities for the homeless and other program members of BRM. On August 23, 2003, On-the-Job-Inc. ceased program services.

(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.

(d) Standards of Accounting and Reporting

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

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(d) Standards of Accounting and Reporting - continued

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions 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.

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, 2020.

(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. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(g) Investments in Limited Liability Companies (LLCs)

The Organization accounts for its investments in LLCs under the equity method, which requires that the investments are recorded at cost and adjusted for the Organization's share of income or loss of the LLCs, additional investments and cash distributions. During the year ended June 30, 2020, the Organization's share of income or loss classified with investment revenue from its investments in LLCs totaled a gain of \$25,779. During the year ended June 30, 2020, the Organization received distributions totaling \$22,356 from the LLCs. Since the Organization has no obligation to fund liabilities of the LLCs beyond its investment, including loan and advances, the Organization's investment balance may not be reduced below zero. To the extent that equity losses are incurred when the Organization's carrying value of its investments has reached a zero balance, any losses will be suspended to be used against future income. As of June 30, 2020, the Organization had no suspended losses. As of June 30, 2020, investments in LLCs amounted to \$35,324 and are included in long-term investments on the consolidated statement of financial position.

The Organization has adopted the nature of distributions approach for the classification of distributions received from the equity method LLCs in the consolidated statement of cash flows. In accordance with this approach, distributions received from the LLCs are classified as either operating or investing cash inflows based on the nature of the activities of the LLCs that generated the distributions. Returns on investments are classified as operating activities in the consolidated statement of cash flows, while returns of investment are classified as investing activities.

(h) Revenue Recognition

The Organization earns revenue as follows:

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. Federal and state contracts that are considered reciprocal transactions or purchases of 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, 2020, predominantly all program service fees of the Organization represent non-reciprocal transactions.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(h) Revenue Recognition - continued

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 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.

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(k).

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(h) Revenue Recognition - continued

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

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2020, the Organization derived approximately 30% from governmental agencies, 30% of its total revenue from foundations and individual donors, 24% from investment activities, 11% from rental activities and 5% from in-kind contributions. All revenue is recorded at the estimated net realizable amounts.

(i) Accounts Receivable

Accounts receivable 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, 2020, the allowance for doubtful accounts was \$31,362.

The Organization does not have a policy to accrue interest on receivables. With the exception of 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, 2020, 93% of the Organization's accounts receivable is due from governmental agencies and the remaining 7% is due from rental tenants.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(j) Land, Buildings and Equipment

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 consolidated statement of activities.

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

Buildings	25-40 years
Building improvements	5-40 years
Equipment	5-10 years
Motor 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.

(k) 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. For the year ended June 30, 2020, gifts in kind consisting of food totaled \$376,552.

Volunteers (unaudited)

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, 2020, the value of volunteer hours received, but not reflected in the consolidated financial statements, totaled \$488,563 using an estimated hourly rate of \$12.80 per hour.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(k) Donated Services and Gifts in Kind - continued

Volunteers (unaudited) - continued

The activities of the Organization with and without unrecorded volunteer hours are as follows (in thousands):

	<u>BRM Activities with Total In-Kind Received</u>		<u>BRM Activities with Recorded In-Kind Received</u>	
Support and Revenue				
Contributions				
Individuals and organizations	\$ 2,290	28%	\$ 2,290	30%
In-kind	865	11%	377	5%
Contracts governmental	2,252	28%	2,252	30%
Investment revenue	1,829	23%	1,829	24%
Rental revenue	797	10%	797	11%
Other revenue	21	0%	21	0%
Total Support and Revenue	<u>8,054</u>	<u>100%</u>	<u>7,566</u>	<u>100%</u>
Expenses				
Residential recovery and job readiness programs	2,888	69%	2,400	64%
Safe haven program	264	6%	264	7%
Community incubator program	442	10%	442	12%
General and administrative	244	7%	244	7%
Development	375	9%	375	10%
Total Expenses	<u>4,213</u>	<u>101%</u>	<u>3,725</u>	<u>100%</u>
Change in Net Assets	\$ <u>3,841</u>		\$ <u>3,841</u>	

(l) 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 4.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(m) 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 in active markets or other inputs that are observable or can be corroborated by observable market 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, 2020.

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Investments	\$ 41,398,880	\$ -	\$ -	\$ 41,398,880
Total	\$ 41,398,880	\$ -	\$ -	\$ 41,398,880

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2020.

Nonrecurring Measurements

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances. Assets that are written down to fair value when impaired are not subsequently adjusted to fair value unless further impairment occurs.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(n) 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 23% for the year ended June 30, 2020. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(o) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated 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.

(p) Use of Estimates

In preparing the Organization's consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(q) Income Taxes

BRM and On-the-Job, Inc. qualify as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and are generally not subject to income tax. However, income from certain activities not directly related to BRM and On-the-Job, Inc.'s tax-exempt purposes are subject to taxation as unrelated business income. BRM is invested in rental real estate of non-debt-financed properties not subject to unrelated business income. In addition, neither BRM nor On-the-Job, Inc. are private foundations under Section 509(a)(1) of the IRC.

(r) Summarized Financial Information for 2019

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, there is no presentation of the consolidated statement of functional expenses for the year ended June 30, 2019. In addition, the consolidated financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information is derived.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(s) *Paycheck Protection Program Loan*

As described at Note 4, the Organization received a Paycheck Protection Program (PPP) loan during the fiscal year ended June 30, 2020. The Organization has elected to follow the guidance regarding *Debt* found in FASB ASC 470 - *Not-for Profit Entities - Debt* to account for its PPP Loan. As a result, during the year ended June 30, 2020, the Organization recognized \$298,000 of debt.

(t) *Recent Accounting Standard Adopted*

On July 1, 2019, the Organization adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. The Organization adopted the ASU using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 consolidated financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of July 1, 2019.

On July 1, 2019, the Organization adopted ASU 2016-15, *Statement of Cash Flows - Clarification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how eight specific cash flow transactions are presented and classified in the statements of cash flows. The ASU must be applied retroactively to all periods presented, if practical. The topic applicable to the Organization relates to distributions received from equity method investees and requires the election of an accounting policy on the cash flow classification of these distributions received. The adoption of the ASU did not have a material impact on the consolidated financial statements.

(u) *Recent Accounting Standard*

In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its consolidated financial statements.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(u) Recent Accounting Standard - continued

In March 2016, FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net). In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Organization's adoption of ASU 2014-09.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The ASU adds to U.S. GAAP an impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, the Organization recognizes as an allowance its estimate of expected credit losses. The ASU is effective fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In April 2019, FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments*. The codification improvements to ASU 2016-01 are effective for fiscal years beginning after December 15, 2019. The codification improvements to ASU 2016-13 will coincide with the with the ASU 2016-13 effective date. In May 2019, FASB issued ASU 2019-05, *Financial Instruments-Credit Losses (Topic 326), Targeted Transition Relief*. The effective date for ASU 2019-05 is the same as in ASU 2016-13.

In November 2018, FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses and in March 2020, FASB Issued ASU 2020-03, Codification Improvements to Financial Instruments*. The adoption of these ASUs will run current with the Organization's adoption of ASU 2016-13.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies - continued

(u) Recent Accounting Standard - continued

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update removed the following disclosure requirements from Topic 820: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels, (3) the valuation processes for Level 3 fair value measurements and (4) the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the reporting period.

The following disclosure requirements were modified in Topic 820: (1) in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. The ASU is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In September 2020, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*. The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The Organization is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(v) Reclassifications

In addition to the reclassifications described in the above disclosure, certain amounts in the prior year have been reclassified to conform to the current year presentation.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(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, 2020, all investments are classified as long-term, and are mostly Board of Directors designated assets, see Note 4(b).

Investments, other than investments in LLCs, see Note 1(g), 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, 2020:

Cash and money market funds	\$	3,832,005
U.S. Treasuries		1,116,680
Domestic mutual funds		19,389,507
Debt securities		
Domestic corporate fixed income		5,808,590
Equity securities		
Domestic		<u>15,084,103</u>
Total	\$	<u>45,230,885</u>

The marketable equity securities and corporate fixed income debt securities primarily consist of common stocks and mutual funds, respectively, of companies traded on the New York Stock Exchange. As of June 30, 2020, investments in LLCs amounted to \$35,324 and are included in long-term investments on the consolidated statement of financial position.

(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, 2020, the outstanding principal was \$154,700.

The Organization received a Payroll Protection Plan loan from Boston Private Bank during the fiscal year ended June 30, 2020 in the original amount of \$298,000 with a maturity date of April 21, 2022. The loan bears interest at a rate of 1%, which is deferred for the first 6 months. Management expects that the loan will be substantially forgiven and/or paid during the year ended June 30, 2021 and as such the loan has been presented as a current liability on the statement of financial position. The SBA has disclosed criteria for forgiveness which include but not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. The Organization will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Organization.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(4) 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, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for a specified purpose:

Unexpended appreciation over spending policy for use on charitable activities	\$ 96,960
Asset acquisition	13,550
Rapid rehousing program	15,000
Rebuilding Homes	<u>1,758</u>
Total	127,268
Maintained in perpetuity:	
Arthur S. Pittman Endowment Fund*	306,561
Catherine C. Gordon Endowment Fund**	<u>207,790</u>
Total	<u>514,351</u>
Total net assets with donor restrictions	<u>\$ 641,619</u>

*The original contributions of \$306,561 is 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 contributions of \$207,790 is to be invested in perpetuity, and earnings may be used for direct program support. Annual releases are limited to 7%.

A summary of the endowment fund activity is as follows:

Balance, beginning of year	\$ 514,351
Investment revenue, net	21,754
Expenditures	<u>(21,754)</u>
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	\$ 111,210
Additions	21,754
Releases	<u>(36,004)</u>
Balance, end of year	<u>\$ 96,960</u>

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(4) 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, 2020:

Undesignated	\$ 21,595,460
Capital Fund for capital acquisition and upgrades	13,699,481
Cornerstone Fund to fund start-up, faith based and other programs and for capacity growth	6,205,320
Reserve Fund	<u>7,000,000</u>
Balance, end of year	<u>\$ 48,500,261</u>

(5) Endowment

The Organization accepts endowment gifts under the stipulation that the funds are invested in perpetuity, the income from which is available for direct program support and charitable purposes based on the policy agreement. Unless otherwise restricted by the donor, the investment income is to be used in accordance with the Organization's endowment spending policy. The goals of the endowment fund are to enhance existing programs, create new programs, make additional funding opportunities for donors and support capital improvements. The Organization's Board of Directors oversees the establishment and revision of goals, spending plans and asset allocations for endowments.

The Organization's endowment consists of various individual funds established for a variety of purposes including donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Uniform Prudent Management of Institutional Funds Act

The Organization's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline to states to use enacting legislation. UPMIFA was adopted by the Commonwealth of Massachusetts effective June 30, 2009. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(5) Endowment - continued

(a) Uniform Prudent Management of Institutional Funds Act - continued

The Board has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Further, per the interpretation, the UPMIFA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent portion of net assets with donor restrictions is classified in the temporarily portion of net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Appropriation of Endowment Assets for Expenditure

The Organization considers the following factors in making a determination to appropriate endowment funds for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

(c) Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that invest in a thoughtful and prudent manner to preserve and/or enhance the Organization's ability to help provide for the future benefit programs covered by the Organization. The oversight of the endowment funds is the responsibility of the Board or Directors. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board or Directors, the endowment assets are invested in a manner that is intended to preserve the endowment funds' principal, considering inflation and to regulate the long term ability and short term needs to distribute income.

(d) Strategies Employed for Achieving Investment Objectives

To satisfy its objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation by investing a prudently determinable portion (currently 76%) of the endowment funds in equity investments (to produce long-term appreciation) and a portion (currently 24%) to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the policy for prudent investment options.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(5) Endowment - continued

(e) Spending Policy and Investment Objectives

The Organization records 100% of the annual investment return related to the endowment (approximately 1.3% of the total investment return) as net assets with donor restrictions. The Organization has a policy of appropriating for distribution from the net assets with donor restrictions, an amount in accordance with the requirements set by the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment.

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restrictions. There were no such deficiencies as of June 30, 2020.

(g) Composition and Reconciliation of Endowment Funds

The endowment fund is solely comprised of donor-restricted contributions. There are no board-designated endowment funds.

(6) 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 \$69,692 for the year ended June 30, 2020.

(7) Operating Lease Commitments

The Organization currently leases commercial space to seven organizations. Various leases end between 2020 and 2023. Rental income, exclusive of amounts reimbursed by tenants, amounted to \$722,442 for the year ended June 30, 2020. Future minimum lease payments to be received are as follows for the years ending June 30:

2021	\$ 545,038
2022	287,665
2023	100,971

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(7) Operating Lease Commitments - continued

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, 2020 as a result of these uncertainties.

(8) Related Party Transactions

During the year ended June 30, 2020, a board member provided consulting services with the Organization's staff in the amount of \$16,455.

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

During prior years, the Board of Directors voted to reallocate the accrued vacation balance of the Executive Director to accrued retirement and severance liability. The reallocation is invested in marketable securities subject to additional funding as defined in the retirement and severance agreement. The accrued balance amounted to \$882,907 at June 30, 2020, which is included under the caption of long-term liabilities on the consolidated statement of financial position.

Total salary, including housing allowance and vacation accrual, incurred to the Executive Director amounted to \$322,512 for the year ended June 30, 2020.

(9) 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.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2020

(10) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of June 30, 2020, 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	\$	292,451
Accounts and contributions receivable, net		<u>662,378</u>
Total		<u>954,829</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for specific purposes		<u>127,268</u>
Total		<u>127,268</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>827,561</u>

Amounts not available include amounts set aside for long-term investment in the Organization that could be drawn upon at the Management's or Board's discretion. These amounts totaled \$43,736,667 as of June 30, 2020. Included in the investment amounts are board designated funds, see Note 4(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.

(11) Risks and Uncertainties - COVID 19

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. The Organization does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(12) Subsequent Events

The Organization has performed an evaluation of subsequent events through November 12, 2020, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these consolidated financial statements.

BOSTON RESCUE MISSION, INC. AND AFFILIATE

Schedule of Findings and Responses

June 30, 2020

(1) Financial Statement Findings

No significant deficiencies or material weaknesses reported.

(2) Status of Prior Year Findings

No significant deficiencies or material weaknesses reported.