



FAMILYAID BOSTON, INC. D/B/A FAMILYAID

**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
FamilyAid Boston, Inc. d/b/a FamilyAid:

Opinion

We have audited the financial statements of FamilyAid Boston, Inc. d/b/a FamilyAid (a Massachusetts nonprofit corporation) (FAB), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of FamilyAid Boston, Inc. d/b/a FamilyAid as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 FAB and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 FAB'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FAB'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.

AAFCPA, Inc.

Boston, Massachusetts
October 27, 2022

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 1,158,278	\$ 1,034,386
Accounts receivable, net of allowance for doubtful accounts of \$27,367 as of June 30, 2022 and 2021	1,722,433	1,351,264
Prepaid expenses and other	82,631	135,863
Total current assets	2,963,342	2,521,513
Investments	6,237,089	7,862,392
Property and Equipment, net	1,965,681	2,028,714
Total assets	<u>\$ 11,166,112</u>	<u>\$ 12,412,619</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	\$ 33,741	\$ 32,796
Accounts payable and accrued expenses	539,631	550,778
Funds held for others	12,437	28,417
Total current liabilities	585,809	611,991
Mortgage Notes Payable, net of current portion	1,144,361	1,178,180
Contingent Notes Payable	377,303	378,403
Total liabilities	<u>2,107,473</u>	<u>2,168,574</u>
Net Assets:		
Without donor restrictions:		
Operating	1,525,105	1,168,445
Designated by the Board of Directors (see Note 3)	2,373,662	2,888,223
Property and equipment	410,276	439,335
Total without donor restrictions	4,309,043	4,496,003
With donor restrictions	4,749,596	5,748,042
Total net assets	<u>9,058,639</u>	<u>10,244,045</u>
Total liabilities and net assets	<u>\$ 11,166,112</u>	<u>\$ 12,412,619</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions:		
Operating revenues and public support:		
Operating revenues:		
Program grants and contracts - government	\$ 9,852,933	\$ 8,828,181
Rental and other income	335,654	252,471
Investment return designated for operations	-	53,000
Total operating revenues	<u>10,188,587</u>	<u>9,133,652</u>
Public support:		
Grants and contributions	2,748,037	2,374,076
Net assets released from program restrictions	2,192,142	2,007,248
Special events revenue, net	195,263	-
Donated services and goods	171,944	283,375
United Way	127,242	254,752
Total public support	<u>5,434,628</u>	<u>4,919,451</u>
Total operating revenues and public support	<u>15,623,215</u>	<u>14,053,103</u>
Operating expenses:		
Program services	13,588,933	12,468,146
General and administrative	571,445	617,725
Fundraising	1,188,339	820,017
Total operating expenses	<u>15,348,717</u>	<u>13,905,888</u>
Changes in net assets without donor restrictions from operations	<u>274,498</u>	<u>147,215</u>
Other revenues (expenses):		
Net assets released from capital restrictions	4,500	6,986
Investment return designated for operations	-	(53,000)
Investment return, net of fees	(465,958)	591,607
Total other revenues (expenses)	<u>(461,458)</u>	<u>545,593</u>
Changes in net assets without donor restrictions	<u>(186,960)</u>	<u>692,808</u>
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	1,198,196	1,226,314
Net assets released from restrictions	<u>(2,196,642)</u>	<u>(2,014,234)</u>
Changes in net assets with donor restrictions	<u>(998,446)</u>	<u>(787,920)</u>
Changes in net assets	(1,185,406)	(95,112)
Net Assets:		
Beginning of year	<u>10,244,045</u>	<u>10,339,157</u>
End of year	<u>\$ 9,058,639</u>	<u>\$ 10,244,045</u>

The accompanying notes are an integral part of these statements.

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FAMILYAID BOSTON, INC. D/B/A FAMILYAIDStatements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (1,185,406)	\$ (95,112)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	142,755	136,153
Net unrealized and realized (gains) losses on investments	614,868	(528,123)
Forgiveness of contingent notes payable	(1,100)	(1,250)
Bad debt	-	5,592
Changes in operating assets and liabilities:		
Accounts receivable	(371,169)	(165,949)
Prepaid expenses and other	53,232	(70,502)
Accounts payable and accrued expenses	(11,147)	189,229
Funds held for others	(15,980)	(33,340)
	<u>(773,947)</u>	<u>(563,302)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Sales of investments	2,062,199	1,490,474
Acquisition of property and equipment	(79,722)	(82,781)
Purchases of investments	(1,051,764)	(1,410,493)
	<u>930,713</u>	<u>(2,800)</u>
Net cash provided by (used in) investing activities		
Cash Flows from Financing Activities:		
Principal payments of mortgage notes payable	(32,874)	(31,955)
	<u>(32,874)</u>	<u>(31,955)</u>
Principal payments of mortgage notes payable		
Net Change in Cash	123,892	(598,057)
Cash:		
Beginning of year	<u>1,034,386</u>	<u>1,632,443</u>
End of year	<u>\$ 1,158,278</u>	<u>\$ 1,034,386</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 34,008</u>	<u>\$ 34,928</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Statement of Functional Expenses
For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022				2021	
	Program Services	General and Administrative	Support Services		Total Expenses	Total Expenses
Fundraising			Total Support Services			
Client Assistance	\$ 5,909,943	\$ -	\$ -	\$ -	\$ 5,909,943	\$ 5,837,575
Personnel and Related:						
Salaries	4,604,365	188,068	787,938	976,006	5,580,371	4,642,187
Employee benefits	739,066	74,714	79,758	154,472	893,538	685,271
Payroll taxes	387,003	17,262	66,763	84,025	471,028	452,976
Total personnel and related	5,730,434	280,044	934,459	1,214,503	6,944,937	5,780,434
Occupancy:						
Repairs and maintenance	276,050	2,002	1,069	3,071	279,121	237,057
Rent	195,829	3,538	15,829	19,367	215,196	215,195
Insurance	113,148	3,872	9,739	13,611	126,759	75,447
Utilities	59,826	5	23	28	59,854	46,907
Total occupancy	644,853	9,417	26,660	36,077	680,930	574,606
Other:						
Professional fees and temporary help	430,815	100,252	103,439	203,691	634,506	518,267
Small equipment	229,371	5,338	23,451	28,789	258,160	247,027
Miscellaneous	169,105	15,787	37,354	53,141	222,246	170,000
Donated services and goods	30,987	140,957	-	140,957	171,944	283,375
Travel	165,821	687	170	857	166,678	124,958
Depreciation	135,162	1,403	6,190	7,593	142,755	136,153
Office supplies	47,184	15,190	29,742	44,932	92,116	94,662
Telephone	56,478	2,266	3,529	5,795	62,273	46,672
Direct special event	-	-	44,019	44,019	44,019	-
Interest	34,320	-	-	-	34,320	35,178
Marketing	-	-	16,818	16,818	16,818	29,045
Printing and postage	4,460	104	6,527	6,631	11,091	22,344
Bad debt	-	-	-	-	-	5,592
Total other	1,303,703	281,984	271,239	553,223	1,856,926	1,713,273
Total expenses	13,588,933	571,445	1,232,358	1,803,803	15,392,736	13,905,888
Less - direct special event activities included with revenues on the statements of activities and changes in net assets	-	-	(44,019)	(44,019)	(44,019)	-
Total expenses included in the statements of activities and changes in net assets	\$ 13,588,933	\$ 571,445	\$ 1,188,339	\$ 1,759,784	\$ 15,348,717	\$ 13,905,888

The accompanying notes are an integral part of these statements.

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Statement of Functional Expenses
For the Year Ended June 30, 2021

	Support Services			Total Support Services	Total Expenses
	Program Services	General and Adminis- trative	Fundraising		
Client Assistance	\$ 5,837,575	\$ -	\$ -	\$ -	\$ 5,837,575
Personnel and Related:					
Salaries	4,002,298	166,725	473,164	639,889	4,642,187
Employee benefits	572,007	64,402	48,862	113,264	685,271
Payroll taxes	390,218	15,654	47,104	62,758	452,976
Total personnel and related	<u>4,964,523</u>	<u>246,781</u>	<u>569,130</u>	<u>815,911</u>	<u>5,780,434</u>
Occupancy:					
Repairs and maintenance	221,738	7,027	8,292	15,319	237,057
Rent	180,764	7,747	26,684	34,431	215,195
Insurance	56,919	11,778	6,750	18,528	75,447
Utilities	45,768	256	883	1,139	46,907
Total occupancy	<u>505,189</u>	<u>26,808</u>	<u>42,609</u>	<u>69,417</u>	<u>574,606</u>
Other:					
Professional fees and temporary help	351,771	85,554	80,942	166,496	518,267
Small equipment	201,040	14,124	31,863	45,987	247,027
Miscellaneous	122,707	18,078	29,215	47,293	170,000
Donated services and goods	71,193	212,182	-	212,182	283,375
Travel	124,154	437	367	804	124,958
Depreciation	128,060	1,821	6,272	8,093	136,153
Office supplies	77,016	8,290	9,356	17,646	94,662
Telephone	39,799	3,276	3,597	6,873	46,672
Interest	35,178	-	-	-	35,178
Marketing	-	-	29,045	29,045	29,045
Printing and postage	4,349	374	17,621	17,995	22,344
Bad debt	5,592	-	-	-	5,592
Total other	<u>1,160,859</u>	<u>344,136</u>	<u>208,278</u>	<u>552,414</u>	<u>1,713,273</u>
Total expenses included in the statements of activities and changes in net assets	<u>\$ 12,468,146</u>	<u>\$ 617,725</u>	<u>\$ 820,017</u>	<u>\$ 1,437,742</u>	<u>\$ 13,905,888</u>

The accompanying notes are an integral part of these statements.

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services.

In fiscal year 2022, FAB adopted ASU 2020-07. The adoption of this ASU did not impact FAB's net asset classes, results of operations, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

Cash

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for accounts held within the investment portfolio.

Accounts Receivable and Allowance for Doubtful Accounts

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

Investments

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

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

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

Building and building improvements	39 years
Furniture and fixtures	5 years
Office equipment	3 - 5 years

FAB accounts for the carrying value of its property and equipment in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. As of June 30, 2022 and 2021, FAB has not recognized any reduction in the carrying value of its property and equipment when considering this standard.

Funds Held for Others

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

Fair Value Measurements

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

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

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

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

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

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

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

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, FAB 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. If the condition and restriction are met in the same period, they are reported as contributions without restrictions. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, 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 FAB 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. See Note 13 for disclosure of FAB's conditional grants as of June 30, 2022 and 2021.

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

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

Expense Allocation

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

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

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services and Goods

In-kind contributions are reflected as contributions at their fair value of the services and goods received, at date of donation, and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. FAB is the recipient of donated services and goods. These amounts have been reported as both donated services in the accompanying statements of activities and changes in net assets and statements of functional expenses. FAB recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Donated services are valued at the standard hourly rates charged for those services. Donated goods are valued at the wholesale prices that would be received for selling similar products. Donated services and goods consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Professional services	\$ 120,957	\$ 189,778
Salary	30,987	71,193
Professional investment fees (see Note 4)	20,000	20,330
Donated goods	<u>-</u>	<u>2,074</u>
	<u>\$ 171,944</u>	<u>\$ 283,375</u>

Advertising

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

Statements of Activities and Changes in Net Assets

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

Income Taxes

FAB accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. FAB has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2022 and 2021. FAB's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

As of October 27, 2022, which is the audit report date, there are no events that met the criteria for recognition or disclosure in the financial statements.

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one-year, making it effective for annual reporting periods after December 15, 2021. A modified retrospective transition approach is required for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. FAB is currently evaluating the impact of ASU 2016-02 on the financial statements.

In March 2020, the FASB issue ASU 2020-04, *Reference Rate Reform (Topic 848)* (ASU 2020-04). The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. In response to concerns about structural risks of interbank offered rates (IBORs), and, particularly, the risk of cessation of the London Interbank Offered Rate (LIBOR), regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. FAB is currently evaluating the impact of ASU 2020-04 on the financial statements.

3. NET ASSETS

Net Assets Without Donor Restrictions

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

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

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

	<u>2022</u>	<u>2021</u>
Funds functioning as endowment (see page 14)	\$ 2,120,404	\$ 2,634,965
Capital and other expenditures	<u>253,258</u>	<u>253,258</u>
	<u>\$ 2,373,662</u>	<u>\$ 2,888,223</u>

These funds are included in investments (see Note 4) and may only be used with the approval of the Board of Directors. During fiscal year 2022, no funds were withdrawn from the capital and other expenditures fund for operations. During fiscal year 2021, \$53,000 was withdrawn from the capital and other expenditures fund for operations (see page 13).

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

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

3. NET ASSETS (Continued)**Net Assets With Donor Restrictions**

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

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

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

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

Priscilla Hunt Endowment - Donor's restrictions require that \$160,000 of principal be held as a permanent source of income.

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Program grants	\$ 4,510,825	\$ 5,504,771
Capital grants	60,029	64,529
Accumulated unspent appreciation on the restricted endowments	<u>7,742</u>	<u>7,742</u>
Total expenditure for specified purpose	4,578,596	5,577,042
Restricted endowments - investment in perpetuity	<u>171,000</u>	<u>171,000</u>
Total	<u>\$ 4,749,596</u>	<u>\$ 5,748,042</u>

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

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

	<u>2022</u>	<u>2021</u>
Program grants	\$ 2,192,142	\$ 2,007,248
Capital grants	<u>4,500</u>	<u>6,986</u>
	<u>\$ 2,196,642</u>	<u>\$ 2,014,234</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

3. NET ASSETS (Continued)

Endowment Fund

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

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

FAB's Board of Directors has adopted an investment spending policy under which it may appropriate up to 5% of the average fair values of FAB's investment portfolio over the previous thirty-six months. The Board of Directors may approve additional spending if the amount to be withdrawn is greater than 5% under the policy.

During fiscal years 2022 and 2021, the Board designated investments were considered when approving the amount to be designated for operations. During fiscal year 2022, no such funds were withdrawn nor appropriated. During fiscal year 2021, management appropriated \$53,000 of the investment return designated for operations out of the fund designated for capital and other expenditures. The fiscal year 2021 appropriation was withdrawn during fiscal year 2022.

In accordance with *Accounting for Certain Investments Held by Not-for-Profit Organizations* standard and Massachusetts state law, appreciation on restricted endowments is included in net assets with donor restrictions. In fiscal years 2022 and 2021, the change in accumulated appreciation on restricted endowments was immaterial to the accompanying financial statements, and therefore, was recorded in net assets without donor restrictions.

FAMILYAID BOSTON, INC. D/B/A FAMILYAIDNotes to Financial Statements
June 30, 2022 and 2021**3. NET ASSETS (Continued)****Endowment Fund (Continued)**

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

	Without Donor Restrictions Board- Designated	With Donor Restrictions	Total Endowment
Endowment net assets, June 30, 2020	<u>\$ 2,038,194</u>	<u>\$ 18,742</u>	<u>\$ 2,056,936</u>
Investment returns:			
Investment income, net	85,757	-	85,757
Net realized gain	32,041	-	32,041
Net unrealized gain	<u>333,869</u>	<u>-</u>	<u>333,869</u>
Total investment returns	451,667	-	451,667
Deposits to the endowment	<u>145,104</u>	<u>160,000</u>	<u>305,104</u>
Net change in endowment	<u>596,771</u>	<u>160,000</u>	<u>756,771</u>
Endowment net assets, June 30, 2021	<u>2,634,965</u>	<u>178,742</u>	<u>2,813,707</u>
Investment returns:			
Investment income, net	152,829	-	152,829
Net unrealized loss	<u>(614,390)</u>	<u>-</u>	<u>(614,390)</u>
Total investment returns	(461,561)	-	(461,561)
Withdrawals from the endowment	<u>(53,000)</u>	<u>-</u>	<u>(53,000)</u>
Net change in endowment	<u>(514,561)</u>	<u>-</u>	<u>(514,561)</u>
Endowment net assets, June 30, 2022	<u>\$ 2,120,404</u>	<u>\$ 178,742</u>	<u>\$ 2,299,146</u>

4. INVESTMENTS

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

	2022	2021
Cash	\$ 591,160	\$ 284,890
Equities - mutual funds	1,504,209	1,851,348
Fixed income:		
Treasury bills	3,347,329	4,043,265
Corporate bonds and notes	503,917	459,680
Non-traditional funds	113,125	60,702
Certificates of deposit and share certificates	-	960,063
Other mutual funds	<u>177,349</u>	<u>202,444</u>
	<u>\$ 6,237,089</u>	<u>\$ 7,862,392</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

4. INVESTMENTS (Continued)

The investments that relate to the Board designated funds functioning as endowment (see Note 3) are collateral for the note payable to a bank (see below). Investments are not insured and are subject to ongoing market fluctuations. Investments are classified as a long-term asset in the accompanying statements of financial position based on management's intent to hold these investments for long-term purposes.

Investment return consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends, net	\$ 179,867	\$ 86,419
Realized gains	-	32,041
Management fees	(30,957)	(22,935)
Unrealized gain (loss)	<u>(614,868)</u>	<u>496,082</u>
	<u>\$ (465,958)</u>	<u>\$ 591,607</u>

A Board member of FAB is associated with the brokerage firm that handles FAB's investment transactions. The Board member manages FAB's portfolio, subject to oversight by the Board of Directors. FAB received and recognized \$20,000 and \$20,330 of management fees from the brokerage firm as donated services and goods for the years ended June 30, 2022 and 2021, respectively, which are included in donated services and goods (see Note 2) in the accompanying statements of activities and changes in net assets and the statements of functional expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$ 2,364,570	\$ 2,354,391
Office equipment	347,191	280,309
Furniture and fixtures	95,672	93,011
Land	<u>47,000</u>	<u>47,000</u>
	2,854,433	2,774,711
Less - accumulated depreciation	<u>888,752</u>	<u>745,997</u>
Property and equipment, net	<u>\$ 1,965,681</u>	<u>\$ 2,028,714</u>

6. NOTE PAYABLE TO A BANK

FAB has a revolving line of credit agreement with a bank that provides for borrowing up to \$1,000,000. Borrowings under the agreement are due on demand and interest is payable monthly at the LIBOR Advantage Rate (1.79% and 0.85% at June 30, 2022 and 2021, respectively), plus 2.75%. The LIBOR rate is expected to transition to the Secured Overnight Financing rate during fiscal year 2023. The line of credit is secured by FAB's investments (see Note 4) as defined in the agreement. There was no outstanding balance as of June 30, 2022 or 2021. FAB must meet certain covenants as specified in the agreement. FAB was in compliance with these covenants as of June 30, 2022 and 2021. This note is renewable annually.

FAMILYAID BOSTON, INC. D/B/A FAMILYAIDNotes to Financial Statements
June 30, 2022 and 2021**7. MORTGAGE NOTES PAYABLE**

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

	<u>2022</u>	<u>2021</u>
2.75% note payable to a bank in the original amount of \$267,750, due in monthly principal and interest installments of \$1,093, through January 1, 2047. This note is secured by a shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	\$ 233,643	\$ 240,236
3% note payable to a bank in the original amount of \$260,000, due in monthly principal and interest installments of \$1,096, through December 1, 2047. This note is secured by a first priority interest in a property located at 134 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	227,516	233,743
2.75% note payable to a bank in the original amount of \$252,250, due in monthly principal and interest installments of \$1,030, through January 1, 2047. This note is secured by a shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	220,118	226,329
3% note payable to a bank in the original amount of \$243,750, due in monthly principal and interest installments of \$1,028, through December 1, 2047. This note is secured by a first priority interest in a property located at 132 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	213,224	219,135
Note payable to a bank in the original amount of \$180,000 at 2.75% interest, due in monthly principal and interest installments of \$735, through January 1, 2047. This note is secured by a shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	157,071	161,503
Note payable to a bank in the original amount of \$145,000 at 2.75% interest, due in monthly principal and interest installments of \$592, through January 1, 2047. This note is secured by a shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	126,530	130,100
	<u>1,178,102</u>	<u>1,211,046</u>
Less - current portion	<u>33,741</u>	<u>32,796</u>
	<u>\$ 1,144,361</u>	<u>\$ 1,178,180</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAIDNotes to Financial Statements
June 30, 2022 and 2021**7. MORTGAGE NOTES PAYABLE**

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

2023	\$ 33,741
2024	\$ 34,712
2025	\$ 35,712
2026	\$ 36,740
2027	\$ 37,798

FAB must comply with certain covenants as defined in the mortgage note payable agreements as well as the contingent notes payable agreements (see Note 8). FAB was in compliance with these covenants as of June 30, 2022 and 2021.

8. CONTINGENT NOTES PAYABLE

Contingent notes payable consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Non-interest bearing note payable to the Department of Housing and Community Development (DHCD) under the Housing Stabilization Fund (HSF) program. Outstanding principal is due on June 21, 2031. This note is secured by a shared mortgage on the Pleasant Street property.	\$ 150,000	\$ 150,000
1% note payable to the City of Boston. Outstanding principal and accrued interest are due on demand, only in the event of a default, as defined in the agreement. This note is secured by a shared mortgage on the Pleasant Street property.	150,000	150,000
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC) under the Housing Innovations Fund (HIF) program. Annual payments of principal are subject to cash flow defined as gross receipts exceeding 105% of cash expenditures. There were no payments due under this note as of June 30, 2022 and 2021. This note is secured by a mortgage on the Pleasant Street property.	72,828	72,828
5% promissory note due to a private trust in the original amount of \$50,000 that expired in March 2016, at which time principal and interest became due. FAB is not expected to make any payment to the private trust. The private trust has given a non-binding commitment to forgive the note's principal and interest. In fiscal years 2022 and 2021, the private trust forgave \$1,100 and \$1,250, respectively, of the note's principal and accrued interest. The note is secured by subordinated mortgages on the 680 Columbia Road and 21 Marion Street properties (see Note 7).	<u>4,475</u>	<u>5,575</u>
Total	<u>\$ 377,303</u>	<u>\$ 378,403</u>

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

9. RETIREMENT PLAN

FAB maintains an employee retirement plan that qualifies under IRC Section 403(b). FAB makes discretionary contributions to eligible employees' retirement funds based on two percent of employees' gross pay, plus an additional two percent for those eligible employees who contribute a minimum of two percent to their retirement fund. Employees are eligible when they reach twenty-one years of age and complete one year of service. Employees become vested after three years of participation. For the years ended June 30, 2022 and 2021, FAB contributed \$115,123 and \$85,182, respectively, to the retirement plan, which are included in employee benefits in the accompanying statements of functional expenses.

10. LEASE AGREEMENTS

Facility

On October 1, 2019, FAB entered into a lease agreement for office space, which was set to expire in September 2022. During fiscal year 2021, the lease was modified and monthly rent payments were reduced to \$17,947 (plus a proportionate share of increases in operating costs and real estate taxes, as applicable). FAB has incurred \$215,196 and \$215,195 of rent expense under these agreements for the years ended June 30, 2022 and 2021, respectively.

On April 30, 2022, the lease agreement was amended, and is now set to expire in September 2025. Starting in October 2022, monthly rent payments under the new lease will range from \$20,430 to \$21,168, payable in monthly installments.

Equipment

FAB leases equipment under various operating lease agreements which have expiration dates ranging from September 2021 through December 2024. FAB has incurred \$15,247 and \$21,847 of expenses under this agreement for the years ended June 30, 2022 and 2021, respectively, and is included in small equipment in the accompanying statements of functional expenses.

Remaining minimum cash payments under these agreements are as follows:

	<u>Equipment</u>	<u>Facility</u>
2023	\$ 11,374	\$ 237,709
2024	\$ 10,228	\$ 248,478
2025	\$ 924	\$ 252,909
2026	\$ -	\$ 63,504

FAMILYAID BOSTON, INC. D/B/A FAMILYAID

Notes to Financial Statements
June 30, 2022 and 2021

11. FUNDING

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

	<u>2022</u>	<u>2021</u>
Department of Housing and Community Development:		
Scattered Site Family Emergency Shelter	\$ 6,180,856	\$ 6,018,046
MRVP Reserve Support Services and other	11,250	9,792
Emergency Solutions Grant	11,200	901,780
The Neighborhood Housing Development Division -		
Emergency Shelter and Rapid Rehousing	1,386,023	264,037
City of Boston - Home Advantage Collaborative	872,881	687,829
Boston Public Schools	716,366	250,000
Boston Children's Hospital	407,354	534,877
Other	173,196	83,779
Boston Medical Center	75,833	66,667
Chronic Homeless Housing	<u>17,974</u>	<u>11,374</u>
	<u>\$ 9,852,933</u>	<u>\$ 8,828,181</u>

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

Approximately 67% and 71% of accounts receivable, net at June 30, 2022 and 2021, respectively, are due from three donors.

12. CONCENTRATION OF CREDIT RISK

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

13. CONDITIONAL GRANTS

During fiscal year 2022, FAB was awarded conditional grants in the amount of \$2,341,045 for fiscal year 2023. As the grants are restricted by time and are conditional upon performance milestones, the conditions have not been met during fiscal year 2022, and the grants have not been recorded as revenue in the accompanying financial statements as of June 30, 2022.

During fiscal year 2021, FAB was awarded conditional grants in the amount of \$2,214,953 for fiscal year 2022. The grants were restricted by time and are conditional upon performance milestones. During fiscal year 2022, \$1,199,961 of revenue related to these grants was recognized and is included as program grants and contracts - government revenue in the accompanying statement of activities and changes in net assets for the year ended June 30, 2022.

FAMILYAID BOSTON, INC. D/B/A FAMILYAIDNotes to Financial Statements
June 30, 2022 and 2021

14. LIQUIDITY

FAB's financial assets available within one year from the statements of financial position date for general operating expenses as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,158,278	\$ 1,034,386
Accounts receivable, net	<u>1,722,433</u>	<u>1,351,264</u>
Total financial assets	<u>2,880,711</u>	<u>2,385,650</u>
Contractual or donor-imposed restrictions:		
Funds held for others	(12,437)	(28,417)
Other donor restrictions	<u>(1,078,641)</u>	<u>(1,103,884)</u>
Total contractual or donor-imposed restrictions	<u>(1,091,078)</u>	<u>(1,132,301)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,789,633</u>	<u>\$ 1,253,349</u>

FAB is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, FAB must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of FAB's liquidity management, FAB has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. There are funds established by the governing board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, FAB also could draw upon \$1,000,000 of available line of credit (see Note 6).

15. RECLASSIFICATION

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the fiscal year 2022 presentation.