



**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

FAMILYAID BOSTON, INC.

Contents
June 30, 2020 and 2019

	<u>Pages</u>
Independent Auditor’s Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 19



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Independent Auditor's Report

To the Board of Directors of
FamilyAid Boston, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of FamilyAid Boston, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of FamilyAid Boston, Inc. as of June 30, 2020 and 2019, 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.

AAFCPAs, Inc.

Boston, Massachusetts
October 29, 2020

FAMILYAID BOSTON, INC.Statements of Financial Position
June 30, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 1,632,443	\$ 802,977
Accounts receivable, net of allowance for doubtful accounts of \$19,445 and \$14,372 as of June 30, 2020 and 2019, respectively	1,190,907	832,210
Prepaid expenses	42,746	53,106
Total current assets	<u>2,866,096</u>	<u>1,688,293</u>
Investments	<u>7,414,250</u>	<u>2,643,430</u>
Property and Equipment:		
Land	47,000	47,000
Building and building improvements	2,325,021	2,145,197
Furniture and fixtures	93,011	93,011
Office equipment	226,898	102,209
	<u>2,691,930</u>	<u>2,387,417</u>
Less - accumulated depreciation	609,844	495,255
Net property and equipment	<u>2,082,086</u>	<u>1,892,162</u>
Deposits	<u>22,615</u>	<u>24,088</u>
Total assets	<u>\$ 12,385,047</u>	<u>\$ 6,247,973</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of mortgage notes payable	\$ 31,879	\$ 30,987
Accounts payable and accrued expenses	361,549	186,353
Funds held for others	61,757	124,474
Total current liabilities	<u>455,185</u>	<u>341,814</u>
Mortgage Notes Payable, net of current portion	1,211,052	1,243,004
Contingent Notes Payable	<u>379,653</u>	<u>379,653</u>
Total liabilities	<u>2,045,890</u>	<u>1,964,471</u>
Net Assets:		
Without donor restrictions:		
Operating	999,241	847,679
Designated by the Board of Directors (see Note 3)	2,344,452	2,367,606
Property and equipment	459,502	238,518
Total without donor restrictions	<u>3,803,195</u>	<u>3,453,803</u>
With donor restrictions	<u>6,535,962</u>	<u>829,699</u>
Total net assets	<u>10,339,157</u>	<u>4,283,502</u>
Total liabilities and net assets	<u>\$ 12,385,047</u>	<u>\$ 6,247,973</u>

The accompanying notes are an integral part of these statements.

Page 2

FAMILYAID BOSTON, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Operating revenues and public support:		
Operating revenues:		
Program grants and contracts - government	\$ 7,329,754	\$ 6,339,823
Rental and other income	252,416	265,759
Investment return designated for operations	129,023	146,784
Total operating revenues	<u>7,711,193</u>	<u>6,752,366</u>
Public support:		
Grants and contributions	1,532,424	695,312
Net assets released from program restrictions	357,543	150,745
Donated services	207,963	220,641
United Way	153,400	67,080
Total public support	<u>2,251,330</u>	<u>1,133,778</u>
Special events:		
Event contributions and support	357,448	279,853
Less - direct special event expenses	71,867	31,325
Net special events revenue	<u>285,581</u>	<u>248,528</u>
Total operating revenues and public support	<u>10,248,104</u>	<u>8,134,672</u>
Operating expenses:		
Shelter and housing programs	8,903,889	7,401,445
General and administrative	337,864	292,534
Fundraising	721,062	445,400
Total operating expenses	<u>9,962,815</u>	<u>8,139,379</u>
Changes in net assets without donor restrictions from operations	<u>285,289</u>	<u>(4,707)</u>
Other revenues (expenses):		
Net assets released from capital restrictions	157,817	11,750
Investment income, net	67,735	132,001
Forgiveness of contingent notes payable	-	2,500
Net unrealized and realized losses on investments	(32,426)	(68,935)
Investment return designated for operations	(129,023)	(146,784)
Total other revenues (expenses)	<u>64,103</u>	<u>(69,468)</u>
Changes in net assets without donor restrictions	<u>349,392</u>	<u>(74,175)</u>
Changes in Net Assets With Donor Restrictions:		
Grants and contributions	6,221,623	444,922
Capital grants	-	76,082
Net assets released from restrictions	(515,360)	(162,495)
Changes in net assets with donor restrictions	<u>5,706,263</u>	<u>358,509</u>
Changes in net assets	6,055,655	284,334
Net Assets:		
Beginning of Year	<u>4,283,502</u>	<u>3,999,168</u>
End of year	<u>\$ 10,339,157</u>	<u>\$ 4,283,502</u>

FAMILYAID BOSTON, INC.Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 6,055,655	\$ 284,334
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	114,589	70,587
Capital grants	-	(76,082)
Net unrealized and realized losses on investments	32,426	68,935
Forgiveness of contingent notes payable	-	(2,500)
Bad debt	5,073	5,413
Changes in operating assets and liabilities:		
Accounts receivable	(363,770)	(262,141)
Prepaid expenses	10,360	(12,515)
Deposits	1,473	46,605
Accounts payable and accrued expenses	175,196	10,450
Funds held for others	(62,717)	(345)
Net cash provided by operating activities	<u>5,968,285</u>	<u>132,741</u>
Cash Flows from Investing Activities:		
Sales of investments	433,149	1,044,767
Acquisition of property and equipment	(304,513)	(19,995)
Purchases of investments	(5,236,395)	(1,049,983)
Net cash used in investing activities	<u>(5,107,759)</u>	<u>(25,211)</u>
Cash Flows from Financing Activities:		
Capital grants	-	76,082
Principal payments of mortgage notes payable	(31,060)	(30,184)
Net cash provided by (used in) financing activities	<u>(31,060)</u>	<u>45,898</u>
Net Change in Cash	829,466	153,428
Cash		
Beginning of year	<u>802,977</u>	<u>649,549</u>
End of year	<u>\$ 1,632,443</u>	<u>\$ 802,977</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 43,317</u>	<u>\$ 50,437</u>
Unrealized loss on investments	<u>\$ (69,038)</u>	<u>\$ (87,730)</u>

FAMILYAID BOSTON, INC.

Statement of Functional Expenses
 For the Year Ended June 30, 2020
 (With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020			2019		
	Shelter and Housing Programs	General and Administrative	Fundraising	Total Support Services	Total Expenses	Total Expenses
Client Assistance	\$ 4,407,374	\$ -	\$ -	\$ -	\$ 4,407,374	\$ 3,485,134
Personnel and Related:						
Salaries	2,741,330	169,834	345,652	515,486	3,256,816	2,729,486
Employee benefits	365,382	20,521	42,477	62,998	428,380	316,866
Payroll taxes	250,969	13,891	31,995	45,886	296,855	245,387
Total personnel and related	3,357,681	204,246	420,124	624,370	3,982,051	3,291,739
Occupancy:						
Rent	191,304	10,714	33,984	44,698	236,002	277,576
Repairs and maintenance	177,760	2,377	2,609	4,986	182,746	351,677
Insurance	58,890	3,591	4,127	7,718	66,608	68,305
Utilities	52,605	937	2,971	3,908	56,513	57,918
Total occupancy	480,559	17,619	43,691	61,310	541,869	755,476
Other:						
Professional fees and temporary help	138,542	58,656	155,242	213,898	352,440	154,909
Small equipment	135,354	7,186	31,847	39,033	174,387	82,279
Miscellaneous	86,190	34,530	19,225	53,755	139,945	80,023
Depreciation	105,008	2,292	7,289	9,581	114,589	70,587
Office supplies	47,424	9,263	22,699	31,962	79,386	49,925
Direct special event	-	-	71,867	71,867	71,867	31,325
Travel	67,662	94	461	555	68,217	56,480
Interest	43,567	-	-	-	43,567	47,341
Telephone	27,300	2,901	2,483	5,384	32,684	21,007
Marketing	-	-	15,755	15,755	15,755	32,177
Printing and postage	2,155	1,077	2,246	3,323	5,478	5,400
Bad debt	5,073	-	-	-	5,073	5,413
Scholarships	-	-	-	-	-	1,170
Total other	658,275	115,999	329,114	445,113	1,103,388	638,355
Total expenses	8,903,889	337,864	792,929	1,130,793	10,034,682	8,170,704
Less - direct special event activities included with revenues on the statements of activities and changes in net assets	-	-	(71,867)	(71,867)	(71,867)	(31,325)
Total expenses included in the statements of activities and changes in net assets	\$ 8,903,889	\$ 337,864	\$ 721,062	\$ 1,058,926	\$ 9,962,815	\$ 8,139,379

FAMILYAID BOSTON, INC.

 Statement of Functional Expenses
 For the Year Ended June 30, 2019

	Shelter and Housing Programs	Support Services		Total Support Services	Total Expenses
		General and Adminis- trative	Fundraising		
Client Assistance	\$ 3,485,134	\$ -	\$ -	\$ -	\$ 3,485,134
Personnel and Related:					
Salaries	2,325,012	151,058	253,416	404,474	2,729,486
Employee benefits	279,998	15,393	21,475	36,868	316,866
Payroll taxes	208,835	13,404	23,148	36,552	245,387
Total personnel and related	2,813,845	179,855	298,039	477,894	3,291,739
Occupancy:					
Rent	250,232	9,977	17,367	27,344	277,576
Repairs and maintenance	349,224	959	1,494	2,453	351,677
Insurance	64,529	1,695	2,081	3,776	68,305
Utilities	55,800	769	1,349	2,118	57,918
Total occupancy	719,785	13,400	22,291	35,691	755,476
Other:					
Professional fees and temporary help	38,587	61,833	54,489	116,322	154,909
Small equipment	68,698	2,189	11,392	13,581	82,279
Miscellaneous	48,398	21,404	10,221	31,625	80,023
Depreciation	69,086	547	954	1,501	70,587
Office supplies	25,639	10,684	13,602	24,286	49,925
Direct special event	-	-	31,325	31,325	31,325
Travel	54,776	922	782	1,704	56,480
Interest	47,341	-	-	-	47,341
Telephone	20,186	325	496	821	21,007
Marketing	-	-	32,177	32,177	32,177
Printing and postage	3,887	556	957	1,513	5,400
Bad debt	5,413	-	-	-	5,413
Scholarships	670	500	-	500	1,170
Total other	382,681	99,279	156,395	255,674	638,355
Total expenses	7,401,445	292,534	476,725	769,259	8,170,704
Less - direct special event activities included with revenues on the statements of activities and changes in net assets	-	-	(31,325)	(31,325)	(31,325)
Total expenses included in the statements of activities and changes in net assets	\$ 7,401,445	\$ 292,534	\$ 445,400	\$ 737,934	\$ 8,139,379

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

FamilyAid Boston, Inc. (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).

Adoption of New Accounting Standards

During fiscal year 2020, FAB adopted FASB's Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. FAB adopted ASU 2018-08 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 fiscal year 2019 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, FAB also adopted FASB's ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers 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. There were no material changes to the fiscal year 2020 or 2019 financial statements as a result of adoption as FAB's primary sources of operating revenues and support are grants, contributions, and rental income, which are not subject to this accounting standard.

Cash

Management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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.

Deposits

Deposits consists of tenants' security deposit.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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	40 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, 2020 and 2019, 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.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

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 12 for disclosure of FAB's conditional grants as of June 30, 2020.

Revenues from program grants and contracts - government are recorded as the services are performed. 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.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Donated Services

FAB receives donated goods and services in various aspects of its programs. The value of these goods and services is reflected in the accompanying financial statements based upon the value assigned by the donor or a reasonable estimate determined by management. Donated goods and services consist of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Professional services	\$ 113,227	\$ 125,089
Salary	46,897	63,880
Professional investment fees (see Note 4)	28,854	20,000
Donated goods	<u>18,985</u>	<u>11,672</u>
	<u>\$ 207,963</u>	<u>\$ 220,641</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, 2020 and 2019. FAB's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

As of October 29, 2020, 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.

Notes to Financial Statements
June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Funds functioning as endowment (see page 13)	\$ 2,038,194	\$ 2,010,873
Capital and other expenditures	<u>306,258</u>	<u>356,733</u>
	<u>\$ 2,344,452</u>	<u>\$ 2,367,606</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 years 2020 and 2019, \$100,999 and \$128,535, respectively, 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.

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 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.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2020 and 2019**3. NET ASSETS (Continued)****Net Assets With Donor Restrictions (Continued)**

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Program grants	\$ 6,445,705	\$ 581,625
Capital grants	71,515	229,332
Accumulated unspent appreciation on the restricted endowments	<u>7,742</u>	<u>7,742</u>
Total expenditure for specified purpose	6,524,962	818,699
Restricted endowments - investment in perpetuity	<u>11,000</u>	<u>11,000</u>
Total	<u>\$ 6,535,962</u>	<u>\$ 829,699</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>2020</u>	<u>2019</u>
Program grants	\$ 357,543	\$ 150,745
Capital grants	<u>157,817</u>	<u>11,750</u>
	<u>\$ 515,360</u>	<u>\$ 162,495</u>

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.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2020 and 2019**3. NET ASSETS (Continued)****Endowment Fund (Continued)**

During fiscal years 2020 and 2019, the Board Designated investments were considered when approving the amount to be designated for operations. During fiscal year 2020, management withdrew only \$28,024 of the investment return designated for operations out of the fund functioning as an endowment and the remaining balance of \$100,999 was withdrawn from the fund designated for capital and other expenditures. During fiscal year 2019, management withdrew only \$18,249 of the investment return designated for operations out of the fund functioning as an endowment and the remaining balance of \$128,535 was withdrawn from the fund designated for capital and other expenditures.

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 2020 and 2019, 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.

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

	Without Donor Restriction Board- Designated	With Donor Restriction	Total Endowment
Endowment net assets, June 30, 2018	<u>\$ 1,937,609</u>	<u>\$ 18,742</u>	<u>\$ 1,956,351</u>
Investment returns:			
Investment income, net	148,872	-	148,872
Net realized gain	18,795	-	18,795
Net unrealized loss	<u>(76,154)</u>	<u>-</u>	<u>(76,154)</u>
Total investment returns	91,513	-	91,513
Investment return designated for operations	<u>(18,249)</u>	<u>-</u>	<u>(18,249)</u>
Net change in endowment	<u>73,264</u>	<u>-</u>	<u>73,264</u>
Endowment net assets, June 30, 2019	<u>2,010,873</u>	<u>18,742</u>	<u>2,029,615</u>
Investment returns:			
Investment income, net	118,793	-	118,794
Net realized gain	2,879	-	2,879
Net unrealized loss	<u>(66,327)</u>	<u>-</u>	<u>(66,327)</u>
Total investment returns	55,345	-	55,345
Investment return designated for operations and transfers	<u>(28,024)</u>	<u>-</u>	<u>(28,024)</u>
Net change in endowment	<u>27,321</u>	<u>-</u>	<u>27,321</u>
Endowment net assets, June 30, 2020	<u>\$ 2,038,194</u>	<u>\$ 18,742</u>	<u>\$ 2,056,936</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

4. INVESTMENTS

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 244,141	\$ 41,451
Equities - mutual funds	1,309,522	1,292,812
Fixed income:		
Treasury bills	4,906,166	-
Corporate bonds and notes	743,851	1,098,606
Non-traditional funds	53,678	57,100
Other mutual funds	<u>156,892</u>	<u>153,461</u>
	<u>\$ 7,414,250</u>	<u>\$ 2,643,430</u>

During fiscal years 2020 and 2019, the net investment returns were \$35,309 and \$63,066, respectively. 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.

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. No fees are charged by the brokerage firm and FAB recognized \$28,854 and \$20,000 as donated services for the years ended June 30, 2020 and 2019, respectively, which are included in investment income in the accompanying statements of activities and changes in net assets.

5. 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 London Interbank Offered Rate (LIBOR) Advantage Rate (.55% and 2.40% at June 30, 2020 and 2019, respectively), plus 2.75%. The line of credit is secured by FAB's investments (see above) as defined in the agreement. There was no outstanding balance as of June 30, 2020 or 2019. FAB must meet certain covenants as specified in the agreement. FAB was in compliance with these covenants as of June 30, 2020 and 2019. This note is renewable annually.

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2020 and 2019**6. MORTGAGE NOTES PAYABLE**

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

	<u>2020</u>	<u>2019</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 shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	\$ 246,584	\$ 253,527
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 first priority interest in a property located at 134 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	239,786	245,478
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 shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	232,372	238,092
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 first priority interest in a property located at 132 Ellington Street, Dorchester, Massachusetts, plus an assignment of leases and rent.	224,800	230,136
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 shared first priority interest in a property located at 680 Columbia Road, Dorchester, Massachusetts, plus an assignment of leases and rent.	165,815	169,896
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 shared first priority interest in a property located at 21 Marion Street, East Boston, Massachusetts, plus an assignment of leases and rent.	133,574	136,862
	<u>1,242,931</u>	<u>1,273,991</u>
Less - current portion	<u>31,879</u>	<u>30,987</u>
	<u>\$ 1,211,052</u>	<u>\$ 1,243,004</u>

FAMILYAID BOSTON, INC.Notes to Financial Statements
June 30, 2020 and 2019**6. MORTGAGE NOTES PAYABLE (Continued)**

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

2021	\$ 31,879
2022	\$ 32,796
2023	\$ 33,741
2024	\$ 34,712
2025	\$ 35,712

FAB must comply with certain covenants as defined in the mortgage note payable agreements as well as the contingent notes payable agreements (see Note 7). FAB was in compliance with these covenants as of June 30, 2020 and 2019.

7. CONTINGENT NOTES PAYABLE

Contingent notes payable consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</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, 2019. 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 year 2020, there was no principal nor interest forgiven. In fiscal year 2019, the private trust forgave \$2,500 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 6).	<u>6,825</u>	<u>6,825</u>
Total	<u>\$ 379,653</u>	<u>\$ 379,653</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

8. 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, 2020 and 2019, FAB contributed \$65,048 and \$52,331, respectively, to the retirement plan, which are included in employee benefits in the accompanying statements of functional expenses.

9. LEASE AGREEMENTS

Facility

Until October 2019, FAB leased its office space on Atlantic Avenue under the terms of an agreement which expired in September 2019. Rent was payable in monthly installments of \$23,000, plus a proportionate share of increases in operating costs and real estate taxes. On October 1, 2019, FAB entered into a new lease agreement, which expires in September 2022. Monthly rent payments under the new lease are \$18,460, payable in monthly installments (plus a proportionate share of increases in operating costs and real estate taxes as applicable). FAB has incurred \$236,002 and \$277,576 of rent expense under these agreements for years ended June 30, 2020 and 2019, respectively.

Equipment

FAB leases equipment under an operating lease agreement which expires on February 28, 2023.

Remaining minimum cash payments under these agreements are as follows for the fiscal years ended June 30:

	<u>Equipment</u>	<u>Facility</u>
2021	\$ 1,719	\$ 221,525
2022	1,719	221,525
2023	<u>1,146</u>	<u>55,381</u>
	<u>\$ 4,584</u>	<u>\$ 498,431</u>

10. 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>2020</u>	<u>2019</u>
Department of Housing and Community Development:		
Scattered Site Family Emergency Shelter	\$ 6,352,914	\$ 5,646,547
MRVP Reserve Support Services and other	8,958	10,000
City of Boston – Home Advantage Collaborative	658,078	603,098
Mass Health	154,994	-
Boston Public Schools	83,333	-
Other	37,499	38,997
Chronic Homeless Housing	<u>33,978</u>	<u>41,181</u>
	<u>\$ 7,329,754</u>	<u>\$ 6,339,823</u>

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

10. FUNDING (Continued)

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 77% and 64% of accounts receivable, net at June 30, 2020 and 2019, respectively, are due from three donors and one government agency, respectively.

11. 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.

12. CONDITIONAL GRANT

During fiscal year 2020, FAB was awarded conditional grants in the amount of \$828,371 for fiscal year 2021. As the grants are restricted by time and are conditional upon performance milestones, the conditions have not been met during fiscal year 2020 and the grants have not been recorded as revenue in the accompanying financial statements as of June 30, 2020. FAB was also awarded a governmental contract totaling \$82,274 in fiscal year 2020. As of June 30, 2020, \$61,061 was recognized as revenue and \$21,213 remains conditional. In February 2020, FAB also received a governmental grant totaling \$39,648. As of June 30, 2020, \$8,090 has been recognized as revenue as the conditions to recognize the full grant amount have not yet been met. There were no other conditional grants awarded for the year ended June 30, 2020. There were no conditional grants awarded for year ended June 30, 2019.

FAB applied for and was awarded a loan of \$637,933 from the Paycheck Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds will be due over a two-year period with interest at 1%. Any repayment will be deferred for a period of ten months from the end of the covered period, when the note, plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. The forgiveness calculations are subject to review and approval by the lending bank and the Small Business Association (SBA). In the opinion of management, the results of such reviews and audit, will not have a material effect on the financial position of FAB as of June 30, 2020, and on the changes in its net assets for the year then ended.

FAB believes there is not more than a remote chance this loan will not be forgiven and, therefore, is accounting for it as a conditional grant under ASC Subtopic 958-605. It is determined that this grant is conditional upon certain performance requirements and the incurrence of eligible expenses within the covered period, which ended on June 12, 2020. Amounts received are recognized as revenue when FAB has incurred expenditures in compliance with the loan application and CARES Act requirements. In the opinion of management, FAB has substantially met the conditions of forgiveness as of June 30, 2020, and therefore, FAB recognized \$637,933 of grant revenue, which is included in grants and contributions in the accompanying 2020 statement of activities and changes in net assets.

FAMILYAID BOSTON, INC.

Notes to Financial Statements
June 30, 2020 and 2019

13. LIQUIDITY

FAB's financial assets available within one year from the statements of financial position date for general operating expenses as of June 30, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,632,443	\$ 802,977
Accounts receivable, net	<u>1,190,907</u>	<u>832,210</u>
Total financial assets	<u>2,823,350</u>	<u>1,635,187</u>
Contractual or donor-imposed restrictions:		
Funds held for others	(61,757)	(124,474)
Other donor restrictions	<u>(79,257)</u>	<u>(237,074)</u>
Total contractual or donor-imposed restrictions	<u>(141,014)</u>	<u>(361,548)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,682,336</u>	<u>\$ 1,273,639</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 lines of credit (see Note 5).

14. CONTINGENCY

Coronavirus

During fiscal year 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on FAB's operations and financial position. As a result, the adverse impact COVID-19 will have on FAB's businesses, operating results, cash flows and financial condition is uncertain. It is management's opinion that the adverse impact would not be material.