



**Boston Rescue Mission, Inc.  
and Affiliate**  
Consolidated Financial Statements  
June 30, 2016

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**Kevin P. Martin & Associates, P.C.**

# BOSTON RESCUE MISSION, INC. AND AFFILIATE

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June 30, 2016

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## **Independent Auditors' Report**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Boston Rescue Mission, Inc. and Affiliate (a nonprofit organization), (the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

## ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 4, 2016. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



November 17, 2016



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Boston Rescue Mission, Inc. and Affiliate (a nonprofit organization), (the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 17, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Nimir P. Martini & Associates, P.C.

November 17, 2016

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

Consolidated Statement of Financial Position

As of June 30, 2016

With Comparative Totals as of June 30, 2015

**Assets**

<b>Current Assets</b>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 541,230	\$ 391,915
Accounts receivable	8,984	238,684
Program service fees receivable	311,304	294,898
Prepaid expenses	<u>37,979</u>	<u>58,005</u>
Total current assets	<u>899,497</u>	<u>983,502</u>
 <b>Land, Building and Equipment</b>		
Land	577,560	577,560
Buildings	5,582,080	5,582,080
Building improvements	2,582,088	2,582,088
Vehicles	20,158	20,158
Equipment	<u>35,806</u>	<u>35,806</u>
Total fixed assets	8,797,692	8,797,692
Less: accumulated depreciation	<u>(3,472,647)</u>	<u>(3,226,070)</u>
Total net fixed assets	<u>5,325,045</u>	<u>5,571,622</u>
 <b>Other Assets</b>		
Tenant security deposits	95,302	95,254
Investments	25,701,816	23,674,439
Investments in limited liability companies	<u>318,320</u>	<u>468,643</u>
Total other assets	<u>26,115,438</u>	<u>24,238,336</u>
<b>Total Assets</b>	<b><u>\$ 32,339,980</u></b>	<b><u>\$ 30,793,460</u></b>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 42,917	\$ 40,338
Accrued payroll	54,348	44,664
Accrued benefits	59,198	552,196
Deferred revenue	<u>583</u>	<u>-</u>
Total current liabilities	<u>157,046</u>	<u>637,198</u>
 <b>Long Term Liabilities</b>		
Tenant security deposits	71,824	91,824
Accrued retirement and severance	522,532	-
Long term debt	<u>154,700</u>	<u>154,700</u>
Total long term liabilities	<u>749,056</u>	<u>246,524</u>
Total liabilities	<u>906,102</u>	<u>883,722</u>
 <b>Net Assets</b>		
Unrestricted	30,808,613	29,180,742
Temporarily restricted	110,914	214,645
Permanently restricted	<u>514,351</u>	<u>514,351</u>
Total net assets	<u>31,433,878</u>	<u>29,909,738</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 32,339,980</u></b>	<b><u>\$ 30,793,460</u></b>

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

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

Consolidated Statement of Activities

For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Revenue and Support</b>					
Contributions	\$ 2,059,932	\$ 15,000	\$ -	\$ 2,074,932	\$ 1,933,968
In kind contributions	329,384	-	-	329,384	325,382
Program service fees	1,467,365	-	-	1,467,365	1,441,515
Investment income	227,835	-	-	227,835	890,359
Rental income	661,293	-	-	661,293	644,086
Other income	7,209	-	-	7,209	8,955
Net assets released from restrictions	<u>118,731</u>	<u>(118,731)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,871,749</u>	<u>(103,731)</u>	<u>-</u>	<u>4,768,018</u>	<u>5,244,265</u>
<b>Expenses</b>					
Program services	2,706,175	-	-	2,706,175	2,645,498
General and administrative	133,519	-	-	133,519	163,189
Fundraising	<u>404,184</u>	<u>-</u>	<u>-</u>	<u>404,184</u>	<u>444,382</u>
Total expenses	<u>3,243,878</u>	<u>-</u>	<u>-</u>	<u>3,243,878</u>	<u>3,253,069</u>
<b>Change in Net Assets Before Other Income</b>	<u>1,627,871</u>	<u>(103,731)</u>	<u>-</u>	<u>1,524,140</u>	<u>1,991,196</u>
<b>Other Income</b>					
Debt forgiveness	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total other income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>Change in Net Assets After Other Income</b>	<u>1,627,871</u>	<u>(103,731)</u>	<u>-</u>	<u>1,524,140</u>	<u>2,041,196</u>
<b>Net Assets at Beginning of Year</b>	<u>29,180,742</u>	<u>214,645</u>	<u>514,351</u>	<u>29,909,738</u>	<u>27,868,542</u>
<b>Net Assets at End of Year</b>	<u>\$ 30,808,613</u>	<u>\$ 110,914</u>	<u>\$ 514,351</u>	<u>\$ 31,433,878</u>	<u>\$ 29,909,738</u>

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



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

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

<b>Cash Flows from Operating Activities</b>	<u>2016</u>	<u>2015</u>
<b>Change in net assets</b>	\$ 1,524,140	\$ 2,041,196
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net gain on investments, net of fees	(201,644)	(375,996)
Loss from investments in limited liability companies	25,464	60,858
Donated securities included in contributions	(5,733)	(68,069)
Depreciation	246,577	250,388
Decrease (increase) in assets:		
Accounts receivable	229,700	(144,066)
Program service fees receivable	(16,406)	(69,164)
Prepaid expenses	20,026	4,572
Tenant security deposits	(48)	-
Increase (decrease) in liabilities:		
Accounts payable	2,579	(36,142)
Accrued payroll	9,684	6,602
Accrued benefits	29,534	46,421
Accrued interest payable	-	(5,875)
Prepaid tenant rent	-	(9,178)
Tenant security deposits	(20,000)	-
Deferred revenue	583	-
<b>Net Cash Provided by Operating Activities</b>	<u>1,844,456</u>	<u>1,701,547</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(1,995,000)	(38,481,244)
Proceeds from sale of investments	175,000	36,710,283
Distributions from investments in limited liability companies	124,859	31,139
<b>Net Cash Used in Investing Activities</b>	<u>(1,695,141)</u>	<u>(1,739,822)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	149,315	(38,275)
<b>Cash and Cash Equivalents - Beginning</b>	<u>391,915</u>	<u>430,190</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 541,230</u>	<u>\$ 391,915</u>
<b>Supplement Disclosure of Non-cash Investing and Financing Activities</b>		
Forgiveness of debt	\$ <u>-</u>	\$ <u>50,000</u>

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

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

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015

	Residential Recovery & Job Readiness Program	Safe Haven Program	Community Incubator Program	Total Program Services	General and Administrative	Fundraising	2016 Total	2015 Total
<b>Functional Expenses</b>								
Salaries	\$ 1,089,467	\$ 191,716	\$ 141,629	\$ 1,422,812	\$ 36,813	\$ 52,455	\$ 1,512,080	\$ 1,505,200
Fringe benefits	95,600	8,332	18,235	122,167	-	15,264	137,431	144,508
Payroll taxes	72,548	13,240	8,826	94,614	1,373	3,730	99,717	100,225
Subtotal	1,257,615	213,288	168,690	1,639,593	38,186	71,449	1,749,228	1,749,933
Food	344,791	65	-	344,856	-	-	344,856	346,113
Depreciation	77,375	11,468	154,510	243,353	1,612	1,612	246,577	250,388
Repairs and maintenance	56,683	13,867	73,579	144,129	1,130	1,130	146,389	113,767
Printing	-	-	-	-	-	141,315	141,315	120,953
Postage	3,695	-	-	3,695	410	119,888	123,993	145,723
Utilities	72,785	13,532	34,815	121,132	851	850	122,833	140,457
Dues and subscriptions	5,659	5,235	887	11,781	9,734	61,551	83,066	99,118
Supplies	47,065	7,106	1,012	55,183	108	105	55,396	42,861
Investment fees	-	-	-	-	51,451	-	51,451	49,232
Taxes	-	-	47,314	47,314	565	-	47,879	44,196
Insurance	21,770	3,590	9,067	34,427	3,030	593	38,050	43,159
Consultants	16,909	90	-	16,999	-	-	16,999	25,117
Professional fees	1,235	-	2,000	3,235	10,797	-	14,032	12,328
Lock box services	-	-	-	-	10,861	-	10,861	13,134
Collaborative services	10,606	-	-	10,606	-	-	10,606	22,829
Travel	8,684	-	-	8,684	1	-	8,685	10,493
Telephone	3,963	1,704	405	6,072	496	495	7,063	7,368
Housing assistance	5,784	-	-	5,784	-	-	5,784	-
Equipment rental and repair	5,546	-	744	6,290	142	341	6,773	2,783
International outreach	-	-	-	-	-	4,855	4,855	5,300
Processing fees	-	-	-	-	4,145	-	4,145	4,357
Gifts to the community	2,148	-	-	2,148	-	-	2,148	1,217
Training and education	894	-	-	894	-	-	894	1,649
Miscellaneous	-	-	-	-	-	-	-	594
<b>Total Functional Expenses</b>	<b>\$ 1,943,207</b>	<b>\$ 269,945</b>	<b>\$ 493,023</b>	<b>\$ 2,706,175</b>	<b>\$ 133,519</b>	<b>\$ 404,184</b>	<b>\$ 3,243,878</b>	<b>\$ 3,253,069</b>

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

# BOSTON RESCUE MISSION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2016

### (1) Summary of Significant Accounting Policies

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

#### (a) Nature of Activities

BRM was founded in 1899 as a nonprofit Christian organization to minister to the temporal and the spiritual needs of poverty-stricken men, women and children. BRM operates one of Boston's oldest continuously running communities serving people at risk. BRM is a service provider to the addicted and homeless, and offers services regardless of race, religion, color, age, sexual orientation, national or ethnic origin, marital status or physical disability.

Over a hundred years ago, five men and women felt called to dedicate their lives to the poor and disenfranchised of inner city Boston. BRM was founded on March 14, 1899 by these five pioneers in a tiny vacant property on 128 Merrimac Street. Prior to the formation of the Mission, the tenants at that location had run a saloon. When BRM became incorporated in 1904, it was then described as "a bar-room transformed into a life-saving station." In the summer of 1975, BRM purchased property on Kingston Street where it resides today.

Today, BRM continues to aid the homeless and poor of Greater Boston to self-sufficiency by assisting women and men in confronting and overcoming the root causes of homelessness. To this end, BRM provides basic life necessities such as food and shelter as well as social service programs. The goal is to provide the homeless and poor with the support, training, and resources necessary to sustain independent living for a lifetime, therefore working to prevent and eventually end homelessness.

#### **Slogan:**

Transforming lives at risk since 1899.

#### **Vision Statement:**

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

#### **Mission Statement:**

- To offer resources that prevent and end homelessness.
- To support the recovery, health, faith, and independence of those who have a history of substance abuse, incarceration, and homelessness.
- To raise awareness about the root causes of these life risks.
- To serve everyone with respect, integrity, and grace.
- To continue to learn, grow, and excel in our services.
- To be good stewards of the resources entrusted to us by our supporters.
- To reflect the teachings of Jesus and the love of God in all we do.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

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

##### **Residential Recovery & Job Readiness Program is comprised of the following services:**

###### *Residential Services*

For men and women in the throes of addiction, their spirits can be easily broken. Homelessness and poverty can drive broken souls into disastrous living situations. The Organization's residential recovery programs provide a safe and therapeutic environment to address substance abuse issues, an individualized care plan to build self-esteem, and programs to equip people with the tools and skills they need to achieve permanent self-sufficiency. BRM's guests receive guidance through daily twelve-step programs, substance abuse treatment, mental health services, anger management treatment, employment assistance, job training, housing assistance, and financial management assistance. In addition, guests participate in classes on living independently, repairing broken relationships, and improving social skills. When guests are ready to embrace independent living with a community-based support network, graduates are provided with detailed discharge and aftercare planning. On a yearly basis, hundreds of lives are transformed through our residential recovery programs.

All program services are provided without monetary commitment from program members. This provides an opportunity for mandatory savings as well as provisions for outstanding legal obligations. Instead, program members are asked to participate in community service projects that contribute to the health and well-being of their treatment environment. This provides a structured environment for each of our program members, which is an essential ingredient to the success of any recovery program.

###### *Safe & Healthy and Meals Programs*

The Safe & Healthy program is a place where people who are homeless can find safe refuge from the weather and city streets. Any guest may apply for other Mission treatment programs and receive opportunities to participate in Mission-sponsored activities. Many people do not have the means to both pay monthly bills and to feed their families. As a result, they may fall behind on their rent and utility bills, and eventually risk losing their homes. BRM's community meals and Food Pantry programs help to feed families and ease financial strains so that our neighbors may stretch already-thin resources to pay rent and maintain a stable living situation. Through our Safe & Healthy Program, Residential Recovery Program, Food Pantry, Saturday Morning Outreach and community meals, the Organization served over 128,000 meals last year.

###### *Out Patient Counseling Program*

The Outpatient Counseling Center licensed by the Massachusetts' Department of Public Health seeks to provide quality outpatient care to individuals struggling with substance abuse and substance dependence. Women and men will have access to a professional, caring staff and will receive treatment in a safe, sober, and therapeutic environment.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

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

##### **Residential Recovery & Job Readiness Program is comprised of the following services - continued:**

###### *Out Patient Counseling Program - continued*

The center will provide clinical and support services to individuals to help address the wide variety of issues arising from substance abuse and substance dependence, including:

- Day treatment services
- Individual, family, and group counseling
- Case management to address vocational, financial, medical, mental health, educational, rehabilitative, and housing needs
- Referral to other services dependent on level of care needed (i.e. inpatient treatment, vocational training)
- Patient education related to sobriety, medical and mental health
- Patient education related to transmission of infectious diseases (i.e. TB, HIV/AIDS, Hepatitis, STDs)
- Patient education related to smoking cessation
- Aftercare and transition planning

###### *Ministry and Spiritual Development*

Though the Organization's spiritual development programs are strictly voluntary, we believe in the healing power of God's love to transform lives in a meaningful and lasting way. A network of resources is available for those seeking spiritual healing, including a Director of Spiritual Formation who meets with guests one-on-one. BRM's guests may participate in weekly church services, bible study sessions, retreats, and develop spiritual mentoring relationships on their journey through forgiveness.

The Residential Recovery & Job Readiness Program accounted for 72% of total program expenditures for the year ended June 30, 2016.

##### **Safe Haven Program**

The Safe Haven program is a 10-bed short-term transitional housing program for veterans with current substance abuse and mental health issues located in Dorchester, Ma. This is a pilot program and one of only four throughout the country. The Safe Haven program targets chronically homeless veterans who have had difficulty with traditional housing programs. The program utilizes three evidence-based practices for care: motivational interviewing, critical time intervention, and stages of change. Safe Haven provides a low-demand and non-intrusive environment to its guests. The guidelines to the program are minimal and the focus is on the safety of the individual. The ultimate goal is to facilitate a safe and healthy transition for the veterans into permanent housing.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

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

###### **Safe Haven Program - continued**

In addition to housing, three healthy meals per day, snacks, counsel, spiritual guidance, and referral services are provided at the request of the client. The staff will strive to provide an environment that is conducive for the veteran to find hope, opportunity, and strength for a life transformation.

The Safe Haven Program accounted for 10% of total program expenditures for the year ended June 30, 2016.

###### **Community Builder Incubator Program**

On December 21, 2004, BRM created the Kingston Investment Properties Trust. This nominee trust was created as a title holding organization. The purchase of the building at 25 Kingston Street is part of BRM's 10-year plan. BRM administers shared space for services in downtown Boston for several Massachusetts community-based organizations, including homelessness, youth and child services. BRM's administrative offices are also located in the building. The proximity to each other facilitates programmatic collaboration among several of these organizations and with BRM. BRM is also building future programmatic space capacity for its growing programs.

The Community Builder Incubator Program accounted for 18% of total program expenditures for the year ended June 30, 2016.

###### **Private Funding and Efficiency**

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

A core strategy of BRM is to employ salaried professionals for administrative and program management functions and to augment the professional staff with a large number of volunteers to carry out the support functions of BRM's ministries. The result of this strategy can be seen in Note 1(m) to the consolidated financial statements. Including the in-kind value of volunteers would dramatically change the percentage of expense allocated to our services in a positive way. For the year ended June 30, 2016, Private Funding and Efficiency expenses are included in fundraising on the consolidated statement of functional expenses.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

##### ***(b) Basis of Consolidation***

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

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

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

The consolidated statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

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

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

The consolidated statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the consolidated statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions, gains and investment income that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the contributions are recognized.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

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

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

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

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2016.

##### *(f) Investments*

The Organization carries investments at fair value. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Investments are exposed to risks such as interest rate, credit and overall market volatility.

##### *(g) Investments in Limited Liability Companies (LLCs)*

Investments in LLCs that the Organization does not control are accounted for on the equity method of accounting. During the year ended June 30, 2016, the Organizations share of income or loss classified with investment revenue from its investments in LLCs totaled a loss of \$25,464. During the year ended June 30, 2016, the Organizations received distributions totaling \$124,859 from the LLCs. As a member in the LLCs, the Organization ceases recognition of losses for financial statement purpose once the cost of the investment is reduced to zero. Declines in the fair value of the investments which are deemed to be other than temporary are recognized as necessary. As of June 30, 2016, investments in LLCs amounted to \$318,320 and are included in other assets on the consolidated statement of financial position.



## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

##### *(h) Revenue Recognition*

The Organization earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Organization when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental organization.

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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

##### In Kind Contributions

Gifts in kind are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

##### ***(h) Revenue Recognition - continued***

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

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2016, the Organization derived approximately 43% of its total revenue from foundations and individual donors, 31% from governmental agencies, 14% from rental activities, 7% from in-kind contributions and 5% from investment activities. All revenue is recorded at the estimated net realizable amounts.

##### ***(i) Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2016, management has determined any allowance would be immaterial.

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

As of June 30, 2016, 97% of the Organization's accounts receivable is due from governmental agencies and the remaining 3% is due from various foundations and corporations.

##### ***(j) Promises to Give***

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date

# BOSTON RESCUE MISSION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2016

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

#### *(j) Promises to Give - continued*

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2016, management has determined any allowance would be immaterial. As of June 30, 2016, there were no outstanding promises to give.

#### *(k) Land, Buildings and Equipment*

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

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

Buildings	25-40 years
Building improvements	5-40 years
Vehicles	5 years
Equipment	5-10 years

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

#### *(l) Donated Services and Gifts in Kind*

Gifts in kind are reported as contributions in the consolidated financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel. For the year ended June 30, 2016, gifts in kind consisting of food totaled \$329,384.

#### *Volunteers (unaudited)*

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with program and fund-raising services. The Organization would not have paid for these volunteered services if they had not been donated and therefore, they have not been reflected in the consolidated financial statements. For the year ended June 30, 2016, the value of volunteer hours received, but not reflected in the consolidated financial statements, totaled \$831,660.

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

Notes to Consolidated Financial Statements

June 30, 2016

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

***(l) Donated Services and Gifts in Kind - continued***

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

	BRM Activities with Total In-Kind Received		BRM Activities with Recorded In-Kind Received	
Support and Revenue				
Contributions				
Individuals and organizations	\$ 2,075	37%	\$ 2,075	43%
In-kind	1,161	21%	329	7%
Contracts governmental	1,468	26%	1,468	31%
Investment income	228	4%	228	5%
Rental income	661	12%	661	14%
Other income	7	0%	7	0%
Total Support and Revenue	5,600	100%	4,768	100%
Expenses				
Residential recovery and job readiness programs	2,769	68%	1,937	59%
Safe haven program	276	7%	276	9%
Community incubator program	493	12%	493	15%
Development	404	10%	404	13%
General and administrative	134	3%	134	4%
Total Expenses	4,076	100%	3,244	100%
Change in Net Assets	\$ 1,524		\$ 1,524	

***(m) Designation of Unrestricted Net Assets***

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements, acquisitions and program development/expansion from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements, acquisitions and development/expansion.

# BOSTON RESCUE MISSION, INC. AND AFFILIATE

## Notes to Consolidated Financial Statements

June 30, 2016

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

#### (n) Fair Value Measurements

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

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

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

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

#### Recurring Measurements

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

**Investments in Debt and Equity Securities:** Quoted market prices are used to determine the fair value of investment securities, and they are included in level 1. level 1 securities primarily include publicly traded equity securities.

The following tables summarize assets measured at fair value on a recurring basis as of June 30, 2016.

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Investments	\$ 25,197,895	\$ -	\$ -	\$ 25,197,895
	\$ 25,197,895	\$ -	\$ -	\$ 25,197,895

Refer to Note 2 for additional information related to the composition of investments.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

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

###### **Recurring Measurements - continued**

The Organization's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels during the year ended June 30, 2016.

###### **Nonrecurring Measurements**

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

##### ***(o) Fundraising***

Fundraising relates to the activities of raising general and specific contributions to the Organization. Fundraising expenses as a percentage of total contribution revenue was 19% for the year ended June 30, 2016. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

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

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

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

##### ***(q) Use of Estimates***

In preparing the Organization's consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

##### ***(r) Income Taxes***

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

##### ***(s) Summarized Financial Information for 2015***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the consolidated financial statements do not include a full presentation of the consolidated statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the consolidated financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2015, from which the summarized information is derived.

##### ***(t) Reclassifications***

Certain amounts in the prior year have been reclassified to conform to the current year presentation. Tenant security deposit asset was reclassified from cash and cash equivalents to other assets. Tenant security deposit liability was reclassified from other current liabilities to other liabilities. Investments in LLCs was reclassified from long-term investments to other assets. These reclassifications had no effect to net assets.

#### **(2) Investments**

The Board of Directors designated funds to be set aside for particular purposes, including but not limited to, future property improvements, acquisitions and program development/expansion. As of June 30, 2016, all investments are classified as long-term, and are mostly Board of Directors designated assets (see Note 4(a)).

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

#### (2) Investments - continued

Investments are valued at fair value using level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of June 30, 2016:

	<u>Fair Value</u>
Cash and money market funds	\$ 503,921
Domestic mutual funds	11,878,407
Debt securities	
Domestic corporate fixed income	3,078,697
Equity securities	
Domestic	9,805,137
Foreign	<u>435,654</u>
Total	\$ <u>25,701,816</u>

Investments return consisted of the following for the year ended June 30, 2016:

Interest and dividends	\$ 739,187
Net realized and unrealized losses	(486,092)
Management fees	<u>(51,451)</u>
Total	\$ <u>201,644</u>

The marketable equity securities and corporate fixed income debt securities primarily consist of common stocks and mutual funds, respectively, of companies traded on the New York Stock Exchange. Management fees were \$51,451 for the year ended June 30, 2016 and are included with direct administrative expenses on the accompanying consolidated statement of functional expenses.

#### (3) Debt

The Organization has a first mortgage note payable to the City of Boston, Department of Neighborhood Development, dated November 22, 2010, in the amount of \$154,700 for a property located in Boston, Massachusetts. The note bears no interest. No payments are required until maturity, December 18, 2027. The note is secured by a first mortgage and security agreement and an assignment of leases and rents on the property. As of June 30, 2015, the outstanding principal was \$154,700.



## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

#### (4) Restricted Net Assets

##### (a) Board Designated Assets

As of June 30, 2016, the Board of Directors designed the following net asset for specific purposes as follows:

Capital Fund for capital acquisition and upgrades	\$ 10,087,561
Cornerstone Fund to fund start-up, faith based and other programs and for capacity growth	4,868,781
Reserve Fund	<u>7,000,000</u>
Total	\$ <u>21,956,342</u>

##### (b) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2016, temporarily restricted net assets are restricted for the following purposes:

Unexpended appreciation over spending policy for use on charitable activities	\$ 76,588
Rebuilding Homes	4,258
Asset acquisition	15,000
Safe Haven	<u>15,068</u>
Total	\$ <u>110,914</u>

##### (c) Permanently Restricted Net Assets

Permanently restricted net assets consist of the Arthur S. Pittman Fund, in which the original contributions of \$306,561 are to be invested in perpetuity, and earnings thereon may be used for charitable purposes based in the policy agreement. In addition, the Organization received another permanently restricted donation of \$207,790 for the Catherine C. Gordon Endowment Fund. Earnings may be used for direct program support. Total earnings for each have been recorded as temporarily restricted. The temporarily restricted net assets consist of unexpended appreciation on the funds' investments, which have been so classified in accordance with the Massachusetts Attorney General's interpretation of state law. Permanently restricted net assets total \$514,351 as of June 30, 2016.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

#### **(5) Endowment**

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

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

##### ***(a) Uniform Prudent Management of Institutional Funds Act***

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

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

##### ***(b) Appropriation of Endowment Assets for Expenditure***

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

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

#### **(5) Endowment - continued**

##### ***(b) Appropriation of Endowment Assets for Expenditure - continued***

- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) The investment policies of the Organization

##### ***(c) Return Objectives and Risk Parameters***

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

##### ***(d) Strategies Employed for Achieving Investment Objectives***

To satisfy its objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation by investing a prudently determinable portion (currently 86%) of the endowment funds in equity investments (to produce long-term appreciation) and a portion (currently 14%) to fixed income investments (to produce a consistent level of income and reduce overall volatility). Guidelines have been set forth in the policy for prudent investment options.

##### ***(e) Spending Policy and Investment Objectives***

The Organization records 100% of the annual investment return related to the endowment (approximately 2% of the total investment return) as temporarily restricted net assets. The Organization has a policy of appropriating for distribution from the temporarily restricted net assets, an amount in accordance with the requirements set by the donor. In establishing this policy, the Organization considered the long-term expected return on its endowment.

##### ***(f) Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies may result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

#### (5) Endowment - continued

##### *(f) Funds with Deficiencies - continued*

Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. There were no such deficiencies as of June 30, 2016.

##### *(g) Composition and Reconciliation of Endowment Funds*

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

The following is a reconciliation of the beginning and ending balance of the Organization's endowment in total and by net asset class:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Funds, beginning of the year	\$ 108,089	\$ 514,351	\$ 622,440
Net investment income	4,503	-	4,503
Release of restriction	<u>(36,004)</u>	<u>-</u>	<u>(36,004)</u>
Endowment Funds, end of the year	<u>\$ 76,588</u>	<u>\$ 514,351</u>	<u>\$ 590,939</u>

#### (6) Employee Benefits

##### *(a) Defined Contribution Plan*

The Organization offers eligible employees participation in a 401(k) retirement plan. Employees must be at least 21 years old and have completed one year of service to participate. The Organization provides a match of 100% of the first 6% of salary contributed by employees. Employees are fully vested immediately upon contribution. The employer match totaled \$58,576 for the year ended June 30, 2016.

##### *(b) Flexible Spending Account*

The Organization has Flexible Spending Accounts (FSA) available to its employees. An FSA is an account that the Organization sets up for their employees, which enables employees to deduct money out of their payroll on a pretax basis and directly deposit these funds into the their FSA.

## BOSTON RESCUE MISSION, INC. AND AFFILIATE

### Notes to Consolidated Financial Statements

June 30, 2016

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

The Organization currently leases office space to seven organizations. Various leases end between July 31, 2016 and March 31, 2025. Rental income amounted to \$661,293 for the year ended June 30, 2016. Future minimum lease payments to be received are as follows for the years ending June 30:

2017	\$ 614,650
2018	629,508
2019	699,789
2020	720,866
2021	680,913

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

##### ***(a) Executive Director***

The Executive Director of the Organization is also the Board President. Total compensation of \$263,125 is for employee services only.

##### ***(b) Housing Allowance Benefit***

The Organization provides a housing allowance benefit to two qualified employees. The total housing allowance expense was \$90,385 the year ended June 30, 2016.

##### ***(c) Accrued Retirement and Severance***

During the year ended June 30, 2016, the Board of Directors voted to reallocate \$522,532 of the accrued vacation balance of a key employee to accrued retirement and severance, which is included with other liabilities on the consolidated statement of financial position.

#### **(9) Commitments and Contingencies**

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

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

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

### Notes to Consolidated Financial Statements

June 30, 2016

#### **(9) Commitments and Contingencies - continued**

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

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

#### **(10) Subsequent Events**

The Organization has performed an evaluation of subsequent events through November 17, 2016, which is the date the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in these consolidated financial statements.

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

Schedule of Findings and Responses

June 30, 2016

**(1) Financial Statement Findings**

No significant deficiencies or material weaknesses reported.

**(2) Status of Prior Year Findings**

No significant deficiencies or material weaknesses reported.